115TH CONGRESS  
2D Session  

S. 

To amend the Internal Revenue Code of 1986 to reform retirement provisions, 
and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. PORTMAN (for himself and Mr. CARDIN) 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 reform 
retirement provisions, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3
4 SECTION 1. SHORT TITLE, ETC.
5    (a) Short Title.—This Act may be cited as the
6    “Retirement Security and Savings Act of 2018”.
7    (b) Amendment of 1986 Code.—Except as other-
8    wise expressly provided, whenever in this Act an amend-
9    ment or repeal is expressed in terms of an amendment
10   to, or repeal of, a section or other provision, the reference
shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

Sec. 1. Short title, etc.

TITLE I—EXPANDING COVERAGE AND INCREASING RETIREMENT SAVINGS

Sec. 101. Secure deferral arrangements.
Sec. 102. Facilitating automatic enrollment.
Sec. 103. Credit for employers with respect to modified safe harbor requirements.
Sec. 104. Expansion of saver’s credit.
Sec. 105. Qualified cash or deferred arrangements must allow long-term employees working more than 500 but less than 1,000 hours per year to participate.
Sec. 106. Separate application of top heavy rules to defined contribution plans covering part-time employees.
Sec. 107. Opportunity to claim the saver’s credit on form 1040EZ.
Sec. 108. 60-day rollover to inherited individual retirement plan of nonspouse beneficiary.
Sec. 109. Increase in age for required beginning date for mandatory distributions.
Sec. 110. Updating of mortality tables for minimum required distributions.
Sec. 111. Increase in credit limitation for small employer pension plan startup costs of certain employers.
Sec. 112. Credit for re-enrollment.
Sec. 113. Treatment of student loan payments as elective deferrals for purposes of matching contributions.
Sec. 114. Treatment of qualified retirement planning services.
Sec. 115. Allow additional nonelective contributions to simple plans.
Sec. 116. Reform of the minimum participation rule.
Sec. 117. Expansion of Employee Plans Compliance Resolution System.
Sec. 118. Enhancement of 403(b) plans.
Sec. 119. Eligibility for participation in retirement plans.
Sec. 120. Small immediate financial incentives for contributing to a plan.
Sec. 121. Indexing IRA catch-up limit.
Sec. 122. Higher catch-up limit to apply at age 60.

TITLE II—PRESERVATION OF INCOME

Sec. 201. Qualifying longevity annuity contracts.
Sec. 203. Eliminating a penalty on partial annuitization.
Sec. 204. Insurance-dedicated exchange-traded funds.

TITLE III—SIMPLIFICATION AND CLARIFICATION OF RETIREMENT PLAN RULES

Sec. 301. Review and report to the congress relating to reporting and disclosure requirements.
Sec. 302. Consolidation of defined contribution plan notices.
Sec. 303. Performance benchmarks for asset allocation funds.
Sec. 304. Permit nonspousal beneficiaries to roll assets to plans.
Sec. 305. Deferral agreements.
Sec. 306. Simplifying 402(f) notices.
Sec. 307. Guidance related to certain overpayment recoupment practices.
Sec. 308. Treatment of custodial accounts on termination of section 403(b) plans.
Sec. 309. Permit plans to use base pay or rate of pay calculation.
Sec. 310. Roth SIMPLE IRAs.
Sec. 311. Reduction in excise tax on certain accumulations in qualified retirement plans.
Sec. 312. Clarification of catch-up contributions with respect to separate lines of business.
Sec. 313. Clarification of substantially equal periodic payment rule.
Sec. 314. Clarification of treatment of distributions of annuity contracts.
Sec. 315. Clarification regarding elective deferrals.
Sec. 316. Tax treatment of certain nontrade or business SEP contributions.
Sec. 317. Allow certain plan transfers and mergers.
Sec. 318. Exception from required distributions where aggregate retirement savings do not exceed $100,000.
Sec. 319. Hardship rules for 403(b) plans.
Sec. 320. IRA preservation.
Sec. 321. Elimination of additional tax on certain distributions.

TITLE IV—DEFINED BENEFIT PLAN REFORMS

Sec. 401. Cash balance.
Sec. 402. Aligning use of lookback months to determine interest rates.
Sec. 403. Corrections of mortality tables.
Sec. 404. Cease double-indexing the variable rate premium.

TITLE V—REFORMING PLAN RULES TO HARMONIZE WITH IRA RULES

Sec. 501. Roth plan distribution rules.
Sec. 502. Distributions for charitable purposes.
Sec. 503. Surviving spouse election to be treated as employee.
Sec. 504. Rollovers from Roth IRAs to plans.

TITLE VI—ADMINISTRATIVE PROVISIONS

Sec. 601. Provisions relating to plan amendments.
TITLE I—EXPANDING COVERAGE
AND INCREASING RETIREMENT SAVINGS

SEC. 101. SECURE DEFERRAL ARRANGEMENTS.

(a) IN GENERAL.—Subsection (k) of section 401, as amended by Public Law 115-123, is further amended by adding at the end the following new paragraph:

“(15) ALTERNATIVE METHOD FOR SECURE DEFERRAL ARRANGEMENTS TO MEET NONDISCRIMINATION REQUIREMENTS.—

“(A) IN GENERAL.—A secure deferral arrangement shall be treated as meeting the requirements of paragraph (3)(A)(ii).

“(B) SECURE DEFERRAL ARRANGEMENT.—For purposes of this paragraph, the term ‘secure deferral arrangement’ means any cash or deferred arrangement which meets the requirements of subparagraphs (C), (D), and (E) of paragraph (13), except as modified by this paragraph.

“(C) QUALIFIED PERCENTAGE.—For purposes of this paragraph, with respect to any employee, the term ‘qualified percentage’ means, in lieu of the meaning given such term in paragraph (13)(C)(iii), any percentage deter-
mined under the arrangement if such percentage is applied uniformly and is—

“(i) at least 6 percent, but not greater than 10 percent, during the period ending on the last day of the first plan year which begins after the date on which the first elective contribution described in paragraph (13)(C)(i) is made with respect to such employee,

“(ii) at least 7 percent during the first plan year following the plan year described in clause (i),

“(iii) at least 8 percent during the second plan year following the plan year described in clause (i),

“(iv) at least 9 percent during the third plan year following the plan year described in clause (i), and

“(v) at least 10 percent during any subsequent plan year.

“(D) MATCHING CONTRIBUTIONS.—

“(i) IN GENERAL.—For purposes of this paragraph, an arrangement shall be treated as having met the requirements of paragraph (13)(D)(i) if and only if the em-
ployer makes matching contributions on behalf of each employee who is not a highly compensated employee in an amount equal to the sum of—

“(I) 100 percent of the elective contributions of the employee to the extent such contributions do not exceed 2 percent of compensation,

“(II) 50 percent of so much of such contributions as exceed 2 percent but do not exceed 6 percent of compensation, plus

“(III) 20 percent of so much of such contributions as exceed 6 percent but do not exceed 10 percent of compensation.

“(ii) APPLICATION OF RULES FOR MATCHING CONTRIBUTIONS.—The rules of clause (ii) of paragraph (12)(B) and clauses (iii) and (iv) of paragraph (13)(D) shall apply for purposes of clause (i), but the rule of clause (iii) of paragraph (12)(B) shall not apply for such purposes. The rate of matching contribution for each incremental deferral must be at least as
high as the rate specified in clause (i), and
may be higher, so long as such rate does
not increase as an employee’s rate of elec-
tive contributions increases.”.

(b) Matching Contributions and Employee
Contributions.—Subsection (m) of section 401 is
amended by redesignating paragraph (13) as paragraph
(14) and by inserting after paragraph (12) the following
new paragraph:

“(13) Alternative Method for Secure De-
ferral Arrangements.—A defined contribution
plan shall be treated as meeting the requirements of
paragraph (2) with respect to matching contribu-
tions and employee contributions if the plan—

“(A) is a secure deferral arrangement (as
defined in subsection (k)(15)),

“(B) meets the requirements of clauses (ii)
and (iii) of paragraph (11)(B), and

“(C) provides that matching contributions
on behalf of any employee may not be made
with respect to an employee’s contributions or
elective deferrals in excess of 10 percent of the
employee’s compensation.”.

(c) Conforming Amendments.—Subparagraph
(H) of section 416(g)(4) is amended—
(1) in clause (i), by striking “section 401(k)(12) or 401(k)(13)” and inserting “paragraph (12), (13), or (15) of section 401(k)”, and

(2) in clause (ii), by striking “section 401(m)(11) or 401(m)(12)” and inserting “paragraph (11), (12), or (13) of section 401(m)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2018.

SEC. 102. FACILITATING AUTOMATIC ENROLLMENT.

The Secretary of the Treasury shall promulgate regulations or other guidance which—

(1) simplifies and clarifies the rules regarding the timing of participant notices required under the Internal Revenue Code of 1986 with respect to an eligible automatic enrollment contribution arrangement (within the meaning of section 414(w)(3) of the Internal Revenue Code of 1986) or required under section 336(c)(3) of the Consolidated Appropriations Act, 2016 with respect to an automatic contribution arrangement (within the meaning of section 336(c)(2) of such Act), with specific application to—
(A) plans which allow employees to be eligible for participation immediately upon beginning employment; and

(B) employers with multiple payroll and administrative systems; and

(2) simplifies and clarifies the application of automatic escalation features under arrangements described in paragraph (1) in the context of employers with multiple payroll and administrative systems.

Such regulations or guidance shall address the particular case of employees within the same plan who are subject to different notice timing and different percentage requirements, and provide assistance for plan sponsors in managing such cases.

SEC. 103. CREDIT FOR EMPLOYERS WITH RESPECT TO MODIFIED SAFE HARBOR REQUIREMENTS.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

"SEC. 45T. CREDIT FOR SMALL EMPLOYERS WITH RESPECT TO MODIFIED SAFE HARBOR REQUIREMENTS FOR AUTOMATIC CONTRIBUTION ARRANGEMENTS.

“(a) General Rule.—For purposes of section 38, in the case of a small employer, the safe harbor adoption
credit determined under this section for any taxable year is the amount equal to the total of the employer’s matching contributions under section 401(k)(15)(D) during the taxable year on behalf of employees who are not highly compensated employees.

“(b) LIMITATIONS.—

“(1) LIMITATION WITH RESPECT TO COMPENSATION.—The credit determined under subsection (a) with respect to contributions made on behalf of any employee shall not exceed 2 percent of the compensation of such employee for the taxable year.

“(2) LIMITATION WITH RESPECT TO YEARS OF PARTICIPATION.—Credit shall be determined under subsection (a) with respect to contributions made on behalf of any employee only during the first 5 years such employee participates in the qualified automatic contribution arrangement.

“(c) DEFINITIONS.—

“(1) IN GENERAL.—Any term used in this section which is also used in section 401(k)(15) shall have the same meaning as when used in such section.
“(2) Small employer.—The term ‘small employer’ means an eligible employer (as defined in section 408(p)(2)(C)(i)).

“(d) Denial of double benefit.—No deduction shall be allowable under this title for any contribution with respect to which a credit is allowed under this section.”.

(b) Credit to be part of general business credit.—Subsection (b) of section 38 is amended by striking “plus” at the end of paragraph (31), by striking the period at the end of paragraph (32) and inserting “, plus”, and by adding at the end the following new paragraph:

“(33) the safe harbor adoption credit determined under section 45T.”.

(c) Clerical amendment.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding after the item relating to section 45S the following new item:

“Sec. 45T. Credit for small employers with respect to modified safe harbor requirements for automatic contribution arrangements.”.

(d) Effective date.—The amendments made by this section shall apply to taxable years which include any portion of a plan year beginning after December 31, 2018.

SEC. 104. Expansion of saver’s credit.

(a) Expansion.—Paragraph (1) of section 25B(b) is amended by striking “$32,500” both places it appears in
subparagraphs (B) and (C) of paragraph (1) and inserting
"$40,000".

(b) Testing Period.—Subparagraph (B) of section 25B(d)(2) is amended to read as follows:

"(B) Testing Period.—For purposes of subparagraph (A), the testing period, with re-
spect to a taxable year, is the period which in-
cludes—

"(i) such taxable year, and

"(ii) the 3 preceding taxable years.”.

(c) Treatment as Refundable.—

(1) Credit moved to subpart relating to refundable credits.—

(A) In general.—The Internal Revenue Code of 1986 is amended—

(i) by redesignating section 25B, as amended by this Act, as section 36C, and

(ii) by moving such section, as so re-
designated, from subpart A of part IV of
subchapter A of chapter 1 to the location
immediately before section 37 in subpart C
of part IV of subchapter A of chapter 1.

(B) Technical amendments.—

(i) The table of sections for subpart A
of part IV of subchapter A of chapter 1 is
amended by striking the item relating to section 25B.

(ii) The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 36B the following new item:

“Sec. 36C. Elective deferrals and IRA contributions by certain individuals.”.

(2) MANDATORY DEPOSIT INTO QUALIFIED ACCOUNT.—

(A) NO REDUCTION OF TAX.—Subsection (a) of section 36C, as moved and redesignated by paragraph (1), is amended by striking “against the tax imposed by this subtitle”.

(B) DEPOSIT INTO QUALIFIED ACCOUNT.—Section 36C, as so moved and redesignated, is amended by adding at the end the following new subsection:

“(g) DEPOSIT INTO QUALIFIED ACCOUNT.—

“(1) IN GENERAL.—Any amount allowed as a credit under subsection (a) shall not be allowed as a credit against any tax imposed by this subtitle but instead shall be treated as an overpayment under section 6401(b) and—

“(A) shall be paid on behalf of the individual taxpayer to a Roth IRA or a designated
Roth account (within the meaning of section 402A) under an applicable retirement plan designated by the individual to be invested in a manner designated by the individual, except that in the case of a joint return each spouse shall be entitled to designate an applicable retirement plan and investments with respect to payments attributable to such spouse, or

“(B) in the case of a taxpayer who does not properly designate an applicable retirement plan in a timely manner or who designates an applicable retirement plan which does not accept such amount in a timely manner, shall be paid or credited on behalf of the individual taxpayer in a manner determined under rules prescribed by the Secretary which provides treatment comparable to the treatment under subparagraph (A).

“(2) APPLICABLE RETIREMENT PLAN.—For purposes of this subsection, the term ‘applicable retirement plan’ means a plan which elects to accept deposits under this subsection and which is described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B) or in section 408A(b).
“(3) TREATMENT OF PAYMENTS.—In the case of any payment under this subsection—

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

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

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

“(4) TREATMENT OF QUALIFIED PLANS, ETC.—A plan or arrangement to which a payment is made under this subsection shall not be treated as violating any requirement under section 401, 403, 408, or 457 solely by reason of accepting such payment.

“(5) ERRONEOUS CREDITS.—If any payment is erroneously paid under this subsection, the amount of such erroneous payment shall be treated as an underpayment of tax.”.

(d) REGULATION AND PROMOTION.—The Secretary of the Treasury (or the Secretary’s delegate) shall take
such steps as the Secretary (or delegate) determines are
necessary and appropriate to increase public awareness of
the credit provided under section 36C of the Internal Rev-

(e) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2018.

SEC. 105. QUALIFIED CASH OR DEFERRED ARRANGEMENTS
MUST ALLOW LONG-TERM EMPLOYEES
WORKING MORE THAN 500 BUT LESS THAN
1,000 HOURS PER YEAR TO PARTICIPATE.

(a) PARTICIPATION REQUIREMENT.—
(1) IN GENERAL.—Subparagraph (D) of section
401(k)(2) is amended to read as follows:

“(D) which does not require, as a condi-
tion of participation in the arrangement, that
an employee complete a period of service with
the employer (or employers) maintaining the
plan extending beyond the close of the earlier
of—

“(i) the period permitted under sec-
tion 410(a)(1) (determined without regard
to subparagraph (B)(i) thereof), or
“(ii) subject to the provisions of paragraph (16), the first period of 2 consecutive 12-month periods during each of which the employee has at least 500 hours of service.”.

(2) Special rules.—Section 401(k), as amended by this Act, is further amended by adding at the end the following new paragraph:

“(16) Special rules for participation requirement for long-term, part-time workers.—For purposes of paragraph (2)(D)(ii)—

“(A) Age requirement must be met.—

Paragraph (2)(D)(ii) shall not apply to an employee unless the employee has met the requirement of section 410(a)(1)(A)(i) by the close of the last of the 12-month periods described in such paragraph.

“(B) Nondiscrimination and top-heavy rules not to apply.—

“(i) Nondiscrimination rules.—In the case of employees who are eligible to participate in the arrangement solely by reason of paragraph (2)(D)(ii)—

“(I) notwithstanding subsection (a)(4), an employer shall not be re-
required to make nonelective or matching contributions on behalf of such employees even if such contributions are made on behalf of other employees eligible to participate in the arrangement, and

“(II) an employer may elect to exclude such employees from the application of subsection (a)(4), paragraph (3), subsection (m)(2), and section 410(b).

“(ii) TOP-HEAVY RULES.—An employer may elect to exclude all employees who are eligible to participate in a plan maintained by the employer solely by reason of paragraph (2)(D)(ii) from the application of the vesting and benefit requirements under subsections (b) and (c) of section 416.

“(iii) VESTING.—For purposes of determining whether an employee described in clause (i) has a nonforfeitable right to employer contributions (other than contributions described in paragraph (3)(D)(i)) under the arrangement, each
12-month period for which the employee has at least 500 hours of service shall be treated as a year of service.

“(iv) Employees who become full-time employees.—This subparagraph shall cease to apply to any employee as of the first plan year beginning after the plan year in which the employee meets the requirements of section 410(a)(1)(A)(ii) without regard to paragraph (2)(D)(ii) of this subsection.

“(C) Exception for employees under collectively bargained plans, etc.—Paragraph (2)(D)(ii) shall not apply to employees described in section 410(b)(3).

“(D) Special rules.—

“(i) Time of participation.—The rules of section 410(a)(4) shall apply to an employee eligible to participate in an arrangement solely by reason of paragraph (2)(D)(ii).

“(ii) 12-month periods.—12-month periods shall be determined in the same manner as under the last sentence of section 410(a)(3)(A).”.
(b) Effective Date.—The amendments made by this section shall apply to plan years beginning after December 31, 2018, except that, for purposes of section 401(k)(2)(D)(ii) of the Internal Revenue Code of 1986 (as added by such amendments), 12-month periods beginning before January 1, 2019, shall not be taken into account.

SEC. 106. SEPARATE APPLICATION OF TOP HEAVY RULES TO DEFINED CONTRIBUTION PLANS COVERING PART-TIME EMPLOYEES.

(a) In General.—Paragraph (2) of section 416(c) is amended by adding at the end the following:

“(C) Separate application to employees not meeting age and service requirements.—If employees not meeting the age or service requirements of section 410(a)(1) (without regard to subparagraph (B) thereof) are covered under a plan of the employer which meets the requirements of paragraphs (A) and (B) separately with respect to such employees, such employees may be excluded from consideration in determining whether any plan of the employer meets the requirements of subparagraphs (A) and (B).”.
(b) **Effective Date.**—The amendment made by subsection (a) shall apply to plan years beginning after the date of the enactment of this Act.

**SEC. 107. OPPORTUNITY TO CLAIM THE SAVER'S CREDIT ON FORM 1040EZ.**

The Secretary of the Treasury shall modify the forms for the return of tax of individuals in order to allow individuals claiming the credit under section 36C of the Internal Revenue Code of 1986 (as moved and redesignated by this Act) to file (and claim such credit on) Form 1040EZ.

**SEC. 108. 60-DAY ROLLOVER TO INHERITED INDIVIDUAL RETIREMENT PLAN OF NONSPOUSE BENEFICIARY.**

(a) **In General.**—Section 402(c)(11) is amended by redesignating subparagraph (B) as subparagraph (C) and by striking subparagraph (A) and inserting the following:

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“(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

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“(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 subparagraph 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) 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 from 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, 2018.
SEC. 109. INCREASE IN AGE FOR REQUIRED BEGINNING DATE FOR MANDATORY DISTRIBUTIONS.

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

(1) IN GENERAL.—Subclause (I) of section 401(a)(9)(C)(i) 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) is amended by striking “in which the employee attains age 70 1⁄2” and inserting “described in clause (i)(I) with respect to the employee”.

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

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

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

“(I) for calendar years before 2023, age 70 1⁄2,

“(II) for calendar years 2023, 2024, 2025, 2026, 2027, 2028, and 2029, age 72, and
“(III) for calendar years after 2029, age 75.

“(ii) TRANSITION RULE.—If, as of a calendar year, an employee has not attained the applicable age with respect to such year, such employee shall be treated as not having attained the applicable age under this paragraph for such year without regard to whether, in a previous calendar year, the employee had attained the applicable age with respect to such previous calendar year.”.

(e) SPOUSE BENEFICIARIES.—Subclause (I) of section 401(a)(9)(B)(iv) is amended by striking “age 70½” and inserting “the applicable age”.

(d) CONFORMING AMENDMENT.—Subsection (b) of section 408 is amended by striking “age 70½” and inserting “the applicable age determined under section 401(a)(9)(H) with respect to such individual”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2018.
Section 401(a)(9), as amended by this Act, is further amended by adding at the end the following new subgraph:

“(I) Mortality tables.—

“(i) Initial update.—Not later than 1 year after the date of the enactment of this subparagraph, the Secretary shall either update, or provide new tables to replace, the mortality tables used as of such date for purposes of this paragraph.

“(ii) Periodic revision.—The Secretary shall (at least every 10 years) make revisions in, or provide new tables to replace, any table in effect under this subparagraph to reflect the actual experience of pension plans and projected trends in such experience.

“(iii) Effective date.—Any table prescribed under this subparagraph shall apply to plan years beginning after the date which is 1 year after publication of the final table.”.
(a) IN GENERAL.—Subsection (a) of section 45E is amended by inserting before the period at the end the following: “(75 percent of such costs in the case of an eligible employer, as determined by substituting ‘25’ for ‘100’ in section 408(p)(2)(C)(i))”.

(b) INCREASE.—Paragraph (1) of section 45E(b) is amended to read as follows:

“(1) for the first credit year and each of the 2 taxable years immediately following the first credit year, the greater of—

“(A) $500, or

“(B) the lesser of—

“(i) $250 for each employee of the eligible employer who is not a highly compensated employee (as defined in section 415(q)) and who is eligible to participate in the eligible employer plan maintained by the eligible employer, or

“(ii) $5,000, and”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.
SEC. 112. CREDIT FOR RE-ENROLLMENT.

(a) In General.—Subpart D of part IV of subchapter A of chapter 1, as amended by this Act, is further amended by adding at the end the following new section:

"SEC. 45U. CREDIT FOR RE-ENROLLMENT PROVISIONS IN PLANS PROVIDED BY SMALL EMPLOYERS.

"(a) In General.—For purposes of section 38, in the case of an eligible employer, the retirement re-enrollment credit determined under this section for any taxable year is an amount equal to—

"(1) $500 for any taxable year occurring during the credit period, and

"(2) zero for any other taxable year.

"(b) Credit Period.—For purposes of subsection (a)—

"(1) In General.—The credit period with respect to any eligible employer is the 3-taxable-year period beginning with the first taxable year for which the employer includes a re-enrollment provision in an eligible automatic contribution arrangement (as defined in section 414(w)(3)) in a qualified employer plan (as defined in section 4972(d)) sponsored by the employer.

"(2) Maintenance of Arrangement.—No taxable year with respect to an employer shall be treated as occurring within the credit period unless
the provision described in paragraph (1) is included in the plan for such year.

“(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ‘eligible employer’ has the meaning given such term in section 408(p)(2)(C)(i).

“(d) RE-ENROLLMENT PROVISION.—For purposes of this section, the term ‘re-enrollment provision’ means a provision of an eligible automatic contribution arrangement under which—

“(1) IN GENERAL.—Each employee eligible to participate in the arrangement who is not contributing or is contributing less than the percentage applicable to an eligible employee in the first year of eligibility is treated as being in such first year of eligibility in each applicable year with respect to the employee.

“(2) ELECTION OUT.—The election treated as having been made under paragraph (1) shall cease to apply with respect to any employee if such employee makes an affirmative election—

“(A) to not have such contributions made,

or

“(B) to make elective contributions at a level specified in such affirmative election.

“(3) APPLICABLE YEAR EVERY THIRD YEAR.—
“(A) IN GENERAL.—For purposes of this section, the term ‘applicable year’ means, with respect to an employee, such employee’s first plan year of eligibility under the arrangement, and all subsequent plan years of eligibility.

“(B) EXCEPTION.—Following any applicable year of an employee (determined after the application of this subparagraph), the plan may elect to treat the next 1 or 2 plan years as not being applicable years with respect to such employee.”.

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38, as amended by this Act, is further amended by striking “plus” at the end of paragraph (32), by striking the period at the end of paragraph (33) and inserting “, plus”, and by adding at the end the following new paragraph:

“(34) in the case of an eligible employer (as defined in section 45U(e)), the retirement re-enrollment credit determined under section 45U(a).”.

(c) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 45T the following new item:

“Sec. 45U. Credit for re-enrollment provisions in plans provided by small employers.”.
(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 113. Treatment of Student Loan Payments as Elective Deferrals for Purposes of Matching Contributions.

(a) In General.—Subparagraph (A) of section 401(m)(4) is amended by striking “and” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “; and”, and by adding at the end the following new clause:

“(iii) subject to the requirements of paragraph (14), 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) 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 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.

For purposes of this subparagraph, the term ‘qualified higher education expenses’ means the cost of attendance (as defined in section 472 of the Higher Education Act of 1965, as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997) at an eligible educational institution (as defined in section 221(d)(2)).”.
(c) Matching Contributions for Qualified Student Loan Payments.—Subsection (m) of section 401, as amended by this Act, is further amended by redesignating paragraph (14) as paragraph (15), and by inserting after paragraph (13) the following new paragraph:

“(14) 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.—Except 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), (12), or (13) of this subsection, or paragraph (11)(B)(i)(II), (12)(B), (13)(D), or (15)(D) of subsection (k), a plan may treat a qualified student loan payment as an
elective deferral or an elective contribution, whichever is applicable.

“(C) REGULATORY AUTHORITY.—The Secretary shall prescribe regulations—

“(i) setting forth the conditions under which a plan administrator may rely upon evidence submitted by an employee of qualified student loan payments, and

“(ii) permitting a plan to make matching contributions for qualified student loan repayments at a different frequency than matching contributions are otherwise made under the plan, provided that the frequency is not less than annually.”.

(d) SIMPLE RETIREMENT ACCOUNTS.—Paragraph (2) of section 408(p) 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 appli-
cation of section 414(v)) for the year
(or, if lesser, the employee’s com-
pensation (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 PAY-
MENT.—For purposes of this subpara-
graph—

“(I) IN GENERAL.—The term
‘qualified student loan payment’
means a payment made by an em-
ployee in repayment of a qualified
education loan (as defined in section
221(d)(1)) incurred to pay qualified
higher education expenses of the em-
ployee, but only if the employee pro-
vides evidence of such loan and such payments to the employer making the matching contribution.

“(II) QUALIFIED HIGHER EDUCATION EXPENSES.—The term ‘qualified higher education expenses’ has the same meaning as when used in section 401(m)(4)(D).

“(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) 403(b) PLANS.—Subparagraph (A) of section 403(b)(12) is amended by adding at the end the following:

“The fact that the employer offers matching contributions
on account of qualified student loan payments as described in section 401(m)(14) shall not be taken into account in determining whether the arrangement satisfies the requirements of clause (ii) (and any regulation thereunder).”.

(f) **EFFECTIVE DATE.**—The amendments made by this section shall apply to contributions made for years beginning after December 31, 2019.

**SEC. 114. TREATMENT OF QUALIFIED RETIREMENT PLANNING SERVICES.**

(a) **IN GENERAL.**—Subsection (m) of section 132 is amended by adding at the end the following new paragraph:

“(4) **NO CONSTRUCTIVE RECEIPT.**—No amount shall be included in the gross income of any employee solely because the employee may choose between any qualified retirement planning services and compensation which would otherwise be includible in the gross income of such employee. The preceding sentence shall apply to highly compensated employees only if the choice described in such sentence is available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer’s qualified employer plan.”.
(b) DEFINITION.—Paragraph (1) of section 132(m) is amended by inserting before the period the following: “, including—

“(A) advice regarding investments in any arrangement described in section 219(g)(5) (without regard to the last sentence thereof), and

“(B) retirement advice regarding investments held outside such an arrangement.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 403(b)(3)(B) is amended by inserting “132(m)(4),” after “132(f)(4),”.

(2) Section 414(s)(2) is amended by inserting “132(m)(4),” after “132(f)(4),”.

(3) Section 415(c)(3)(D)(ii) is amended by inserting “132(m)(4),” after “132(f)(4),”.

(d) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 115. ALLOW ADDITIONAL NONELECTIVE CONTRIBUTIONS TO SIMPLE PLANS.

(a) IN GENERAL.—

(1) MODIFICATION TO DEFINITION.—Subparagraph (A) of section 408(p)(2) is amended by striking “and” at the end of clause (iii), by redesignating
clause (iv) as clause (v), and by inserting after clause (iii) the following new clause:

“(iv) the employer may make nonelective contributions of a uniform percentage (up to 10 percent) of compensation for each employee who is eligible to participate in the arrangement and who has at least $5,000 of compensation from the employer for the year, and”.

(2) LIMITATION.—Subparagraph (A) of section 408(p)(2) is amended by adding at the end the following: “The compensation taken into account under clause (iv) for any year shall not exceed the limitation in effect for such year under section 401(a)(17).”.

(3) OVERALL DOLLAR LIMIT ON CONTRIBUTIONS.—Paragraph (8) of section 408(p) is amended to read as follows:

“(8) COORDINATION WITH MAXIMUM LIMITATION UNDER SUBSECTION (A).—In the case of any simple retirement account, subsections (a)(1) and (b)(2) shall be applied by substituting for ‘the dollar amount in effect under section 219(b)(1)(A)’ the following: ‘the sum (but not to exceed 50 percent of the amount in effect under section 415(e)(1)(A) (ex-
cept as provided in section 414(v)) of the dollar amount in effect under paragraph (2)(A)(ii) of this subsection; the employer contribution required under paragraph (2)(A)(iii) or (2)(B)(i) of this subsection, whichever is applicable; and the employer contribution made on behalf of the employee under paragraph (2)(A)(iv) of this subsection’.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(p)(2)(A)(v), as redesignated by subsection (a), is amended by striking “or (iii)” and inserting “, (iii), or (iv)”.

(2) Paragraph (8) of section 408(p) is amended by inserting “, the employer contribution actually made under paragraph (2)(A)(iv) of this subsection,” after “paragraph (2)(A)(ii) of this subsection”.

(3) Section 401(k)(11)(B)(i) is amended by striking “and” at the end of subclause (II), by redesignating subclause (III) as subclause (V), and by inserting after subclause (II) the following new subclauses:

“(III) the employer may make nonelective contributions of a uniform percentage (up to 10 percent) of compensation for each employee who is el-
eligable to participate in the arrangement and who has at least $5,000 of compensation from the employer for the year,

“(IV) contributions on behalf of any employee for any year may not exceed 50 percent of the amount in effect under section 415(c)(1)(A) (except as provided in section 414(v)), and”.

(4) Section 401(k)(11)(B)(i)(V), as redesignated by paragraph (3), is amended by striking “or (II)” and inserting “, (II), or (III)”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2018.

SEC. 116. REFORM OF THE MINIMUM PARTICIPATION RULE.

(a) IN GENERAL.—Subparagraph (H) of section 401(a)(26) is amended by adding at the end the following:

“Not later than December 31, 2019, the Secretary shall issue final regulations under which this paragraph may be applied separately to bona fide separate subsidiaries or divisions.”.
(b) **Effective Date.**—The amendment made by subsection (a) shall take effect on the date of enactment of this Act.

**SEC. 117. EXPANSION OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.**

(a) In General.—Except as otherwise provided in regulations prescribed by the Secretary of the Treasury or the Secretary’s delegate (referred to in this section as the “Secretary”), any inadvertent failure to comply with the rules applicable under section 401(a), 403(a), 403(b), 408(p), or 408(k) of the Internal Revenue Code of 1986 may be self-corrected under the Employee Plans Compliance Resolution System (as described in Revenue Procedure 2018-52 or any successor guidance), except to the extent that such failure was identified by the Secretary prior to any actions which demonstrate a commitment to implement a self-correction. Revenue Procedure 2018-52 is deemed amended as of the date of the enactment of this Act to provide that the correction period under section 9.02 of such Revenue Procedure (or any successor provision) for an inadvertent failure is indefinite and has no last day, other than with respect to failures identified by the Secretary prior to any self-correction as described in the preceding sentence.
(b) **Loan Error.**—The Secretary of Labor shall treat any loan error corrected pursuant to subsection (a) as meeting the requirements of the Voluntary Fiduciary Correction Program of the Department of Labor.

(c) **EPCRS for IRAs.**—The Secretary shall expand the Employee Plans Compliance Resolution System to allow custodians of individual retirement plans to address inadvertent failures for which the owner of an individual retirement plan was not at fault, including (but not limited to)—

1. waivers of the excise tax which would otherwise apply under section 4974 of the Internal Revenue Code of 1986;
2. under the self-correction component of the Employee Plans Compliance Resolution System, waivers of the 60-day deadline for a rollover where the deadline is missed for reasons beyond the reasonable control of the account owner; and
3. rules permitting a nonspouse beneficiary to return distributions to an inherited individual retirement plan described in section 408(d)(3)(C) of the Internal Revenue Code of 1986 in a case where, due to an inadvertent error by a service provider, the beneficiary had reason to believe that the distribu-
tion could be rolled over without inclusion in income of any part of the distributed amount.

(d) REQUIRED MINIMUM DISTRIBUTION CORRECTIONS.—The Secretary shall expand the Employee Plans Compliance Resolution System to allow plans to which such system applies and custodians and owners of individual retirement plans to self-correct, without an excise tax, any inadvertent failures pursuant to which a distribution is made no more than 180 days after it was required to be made.

(e) ADDITIONAL SAFE HARBORS.—The Secretary shall expand the Employee Plans Compliance Resolution System (as described in Revenue Procedure 2018-52 or any successor guidance) to provide additional safe harbor means of correcting inadvertent failures described in subsection (a), including safe harbor means of calculating the earnings which must be restored to a plan in cases where plan assets have been depleted by reason of an inadvertent failure.

(f) DEFINITIONS AND SPECIAL RULES.—

(1) INADVERTENT FAILURE.—For purposes of this section—

(A) IN GENERAL.—Except as provided in subparagraph (B), the term “inadvertent fail-
"ure" means a failure that occurs despite the existence of practices and procedures which—

(i) satisfy the standards set forth in section 4.04 of Revenue Procedure 2018-52 (or any successor provision), or

(ii) satisfy similar standards in the case of an individual retirement plan.

(B) CORRECTION BY OWNER OF INDIVIDUAL RETIREMENT PLAN.—In the case of a correction by an owner of an individual retirement plan under subsection (d), the term "inadvertent failure" means a failure due to reasonable cause.

(2) PLAN LOAN CORRECTIONS.—In the case of an inadvertent failure relating to a loan to a participant from a plan, such failure may be self-corrected under subsection (a) according to the rules of section 6.07 of Revenue Procedure 2018-52 (or any successor provision), including the provisions related to whether a deemed distribution must be reported on Form 1099-R.

SEC. 118. ENHANCEMENT OF 403(B) PLANS.

(a) IN GENERAL.—

(1) PERMITTED INVESTMENTS.—Clause (i) of section 403(b)(7)(A) is amended to read as follows:
“(i) the amounts to be held in that custodial account are invested in regulated investment company stock or a group trust intended to satisfy the requirements of Internal Revenue Service Revenue Ruling 81-100 (or any successor guidance), and”.

(2) Conforming Amendment.—The heading of paragraph (7) of section 403(b) is amended by striking “FOR REGULATED INVESTMENT COMPANY STOCK”.

(3) Effective Date.—The amendments made by this subsection shall apply to amounts invested after December 31, 2018.

(b) Amendments to the Investment Company Act of 1940.—Section 3(c)(11) of the Investment Company Act of 1940 (15 U.S.C. 80a–3(c)(11)) is amended—

(1) by striking “section 401 of the Internal Revenue Code of 1986; or” and inserting “section 401 of the Internal Revenue Code of 1986; or any custodial account meeting the requirements of section 403(b)(7) of the Internal Revenue Code of 1986 if (i) the arrangement is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), or (ii) any employer making such arrangement available agrees to serve as a fi-
duciary for the arrangement with respect to the se-
lection of the arrangement’s investments; or”;

(2) by striking “one or more of such trusts” and inserting “one or more of such trusts or ac-
counts”;

(3) by striking “of such Act, and” and inserting “of such Act,”; and

(4) by adding before the period at the end the following: “, and (D) contributions to a custodial ac-
count meeting the requirements of section 403(b)(7) of the Internal Revenue Code of 1986 if: (i) the ar-
rangement is subject to title I of the Employee Ret-
irement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), or (ii) any employer making such ar-
rangement available agrees to serve as a fiduciary for the arrangement with respect to the selection of the arrangement’s investments”.

(c) Amendments to the Securities Act of 1933.—Section 3(a)(2) of the Securities Act of 1933 (15 U.S.C. 77c(a)(2)) is amended—

(1) by striking “other than a retirement income account” in clause (iii) and inserting “other than a custodial account described in section 403(b)(7) of such Code or a retirement income account”;
(2) by striking the semicolon at the end and inserting a period; and

(3) by adding at the end the following: “Notwithstanding anything to the contrary in this paragraph, the provisions of this title shall not apply to any interest or participation in a single trust fund, or in a collective trust fund maintained by a bank, which interest or participation is issued in connection with a custodial account meeting the requirements of section 403(b)(7) of the Internal Revenue Code of 1986 if: (i) the arrangement is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), or (ii) any employer making such arrangement available agrees to serve as a fiduciary for the arrangement with respect to the selection of the arrangement’s investments;”.


(1) in subparagraph (C), by adding before the period at the end the following: “(other than a custodial account described in section 403(b)(7) of the Internal Revenue Code of 1986)”; and

(2) by adding at the end the following:
“(D) Notwithstanding anything to the contrary in subparagraph (C), the term ‘qualified plan’ shall also include a custodial account meeting the requirements of section 403(b)(7) of the Internal Revenue Code of 1986 if: (i) the arrangement is subject to title I of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.), or (ii) any employer making such arrangement available agrees in writing to serve as a fiduciary for the arrangement with respect to the selection of the arrangement’s investments.”.

SEC. 119. ELIGIBILITY FOR PARTICIPATION IN RETIREMENT PLANS.

An individual shall not be precluded from participating in an eligible deferred compensation plan by reason of having received a distribution under section 457(e)(9) of the Internal Revenue Code of 1986, as in effect prior to the enactment of the Small Business Job Protection Act of 1996.

SEC. 120. SMALL IMMEDIATE FINANCIAL INCENTIVES FOR CONTRIBUTING TO A PLAN.

(a) In general.—Subparagraph (A) of section 401(k)(4) is amended by inserting “(other than a de minimis financial incentive)” after “any other benefit”.

(b) **SECTION 403(B) PLANS.**—Subparagraph (A) of section 403(b)(12), as amended by this Act, is further amended by adding at the end the following: “A plan shall not fail to satisfy clause (ii) solely by reason of the offering of a de minimis financial incentive for employees to elect to have the employer make contributions pursuant to a salary reduction agreement.”.

(c) **EXEMPTION FROM PROHIBITED TRANSACTION RULES.**—Subsection (d) of section 4975 is amended by striking “or” at the end of paragraph (22), by striking the period at the end of paragraph (23) and inserting “, or”, and by adding at the end the following new paragraph:

“(24) the provision of a de minimis financial incentive described in section 401(k)(4)(A) or 403(b)(12)(A).”.

(d) **AMENDMENT OF EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.**—Subsection (b) of section 408 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(b)) is amended by adding at the end the following new paragraph:

“(21) The provision of a de minimis financial incentive described in section 401(k)(4)(A) or 403(b)(12)(A) of the Internal Revenue Code of 1986.”.
(e) **Effective Date.**—The amendments made by this section shall apply with respect to plan years beginning after the date of enactment of this Act.

**SEC. 121. INDEXING IRA CATCH-UP LIMIT.**

(a) **In General.**—Subparagraph (C) of section 219(b)(5) is amended by adding at the end the following new clause:

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“(iii) INDEXING OF CATCH-UP LIMITATION.—In the case of any taxable year beginning in a calendar year after 2019, the $1,000 amount under subparagraph (B)(ii) 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 2018’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If any amount after adjustment under the preceding sentence is not a multiple of $200, such amount shall be rounded to the next lower multiple of $200.”.
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(b) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2019.

SEC. 122. HIGHER CATCH-UP LIMIT TO APPLY AT AGE 60.

(a) IN GENERAL.—

(1) PLANS OTHER THAN SIMPLE PLANS.—Section 414(v)(2)(B)(i) is amended by inserting the following before the period: “($10,000, in the case of an eligible participant who has attained age 60 before the close of the taxable year)”.

(2) SIMPLE PLANS.—Section 414(v)(2)(B)(ii) is amended by inserting the following before the period: “($5,000, in the case of an eligible participant who has attained age 60 before the close of the taxable year)”.

(b) COST-OF-LIVING ADJUSTMENTS.—Subparagraph (C) of section 414(v)(2) is amended by adding at the end the following: “In the case of a year beginning after December 31, 2019, the Secretary shall adjust annually the $10,000 amount in subparagraph (B)(i) and the $5,000 amount in subparagraph (B)(ii) for increases in the cost-of-living at the same time and in the same manner as adjustments under the preceding sentence; except that the base period taken into account shall be the calendar quarter beginning July 1, 2018.”
(c) **Effective Date.**—The amendments made by this section shall apply to years beginning after December 31, 2018.

**TITLE II—PRESERVATION OF INCOME**

**SEC. 201. QUALIFYING LONGEVITY ANNUITY CONTRACTS.**

(a) **In General.**—Not later than the date which is 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall amend the regulation issued by the Department of the Treasury relating to “Longevity Annuity Contracts” (79 Fed. Reg. 37633 (July 2, 2014)), as follows:

(1) **Repeal 25-percent premium limit.**—The Secretary shall amend Q&A–17(b)(3) of Treas. Reg. section 1.401(a)(9)–6 and Q&A–12(b)(3) of Treas. Reg. section 1.408–8 to eliminate the requirement that premiums for qualifying longevity annuity contracts be limited to 25 percent of an individual’s account balance, and to make such corresponding changes to the regulations and related forms as are necessary to reflect the elimination of this requirement.

(2) **Increase dollar limitation.**—

(A) **In General.**—The Secretary shall amend Q&A–17(b)(2)(i) of Treas. Reg. section
1.401(a)(9)–6 and Q&A–12(b)(2)(i) of Treas. Reg. section 1.408–8 to increase the dollar limitation on premiums for qualifying longevity annuity contracts from $125,000 to $200,000, and to make such corresponding changes to the regulations and related forms as are necessary to reflect this increase in the dollar limitation.

(B) Adjustments for Inflation.—The Secretary shall amend Q&A–17(d)(2)(i) of Treas. Reg. section 1.401(a)(9)–6 to provide that, in the case of calendar years beginning on or after January 1 of the second year following the year of enactment of this Act, the $200,000 dollar limitation (as increased by subparagraph (A)) will be adjusted at the same time and in the same manner as the limits are adjusted under section 415(d) of the Internal Revenue Code of 1986, except that the base period shall be the calendar quarter beginning July 1 of the year of enactment of this Act, and any increase to such dollar limitation which is not a multiple of $10,000 will be rounded to the next lowest multiple of $10,000.

(3) Facilitate Joint and Survivor Benefits.—The Secretary shall amend Q&A–17(c) of
Treas. Reg. section 1.401(a)(9)–6, and make such corresponding changes to the regulations and related forms as are necessary, to provide that, in the case of a qualifying longevity annuity contract which was purchased with joint and survivor annuity benefits for the individual and the individual’s spouse which were permissible under the regulations at the time the contract was originally purchased, a divorce occurring after the original purchase and before the annuity payments commence under the contract will not affect the permissibility of the joint and survivor annuity benefits or other benefits under the contract, or require any adjustment to the amount or duration of benefits payable under the contract, provided that any qualified domestic relations order (within the meaning of section 414(p) of the Internal Revenue Code of 1986) or any divorce or separation instrument (within the meaning of section 71(b)(2) of the Internal Revenue Code of 1986)—

(A) provides that the former spouse is entitled to the survivor benefits under the contract;

(B) does not modify the treatment of the former spouse as the beneficiary under the contract who is entitled to the survivor benefits; or
(C) does not modify the treatment of the
former spouse as the measuring life for the sur-
vivor benefits under the contract.

(4) PERMIT SHORT FREE LOOK PERIOD.—The
Secretary shall amend Q&A–17(a)(4) of Treas. Reg.
section 1.401(a)(9)–6 to ensure that such Q&A does
not preclude a contract from including a provision
under which an employee may rescind the purchase
of the contract within a period not exceeding 90
days from the date of purchase.

(5) FACILITATE INDEXED AND VARIABLE CON-
TRACTS WITH GUARANTEED BENEFITS.—The Sec-
retary shall amend Q&A–17(d)(4) of Treas. Reg.
section 1.401(a)(9)–6, and make such corresponding
changes to the regulations and related forms as are
necessary, to provide that an annuity contract is not
treated as a contract described in such Q&A–
17(a)(7) to the extent that the contract—

(A) either—

(i) is a variable contract under section
817(d) of the Internal Revenue Code of
1986; or

(ii) is an indexed contract;

(B) provides for the possibility of annuity
payment increases (but not decreases) based on
the investment return and market value of 1 or
more segregated asset accounts (in the case of
a variable contract) or based on the perform-
ance of 1 or more specified indexes (in the case
of an indexed contract);

(C) provides for a guaranteed minimum
level of annuity payments irrespective of such
investment return, market value, or perform-
ance; and

(D) in the event of death before the annu-
ity starting date, provides that any death ben-
etit that is payable in a lump sum is equal to
the premiums paid, without reduction for in-
vestment return, market value, index perform-
ance, surrender charges, market value adjust-
ments, or any other amounts.

For purposes of the preceding sentence, a downward
adjustment to the dollar amount of annuity pay-
ments shall not be treated as an impermissible re-
duction in such payments, provided that the adjust-
ment is made to reflect a change in annuitant that
is required or permitted under the Internal Revenue
Code of 1986 or regulations and the adjustment is
based on reasonable actuarial assumptions.
(b) Effective Dates, Enforcement, and Interpretations.—

(1) Effective dates.—

(A) Paragraphs (1), (2), and (5) of subsection (a) shall be effective with respect to contracts purchased or received in an exchange on or after the date of the enactment of this Act.

(B) Paragraphs (3) and (4) of subsection (a) shall be effective with respect to contracts purchased or received in an exchange on or after July 2, 2014.

(2) Enforcement and Interpretations.—

Prior to the date on which the Secretary of the Treasury issues final regulations pursuant to subsection (a)—

(A) the Secretary shall administer and enforce the law in accordance with subsection (a) and the effective dates in paragraph (1) of this subsection; and

(B) taxpayers may rely upon their reasonable good faith interpretations of subsection (a).
SEC. 202. REMOVE REQUIRED MINIMUM DISTRIBUTION BARRIERS FOR LIFE ANNUITIES.

(a) In general.—Paragraph (9) of section 401(a), as amended by this Act, is further amended by adding at the end the following new subparagraph:

“(J) Certain increases in payments under a commercial annuity.—Nothing in this section shall prohibit a commercial annuity (within the meaning of section 3405(e)(6)) which is issued in connection with any eligible retirement plan (within the meaning of section 402(c)(8)(B)) from providing 1 or more of the following types of payments on or after the annuity starting date:

“(i) Annuity payments which increase by a constant percentage, applied not less frequently than annually, at a rate which is less than 5 percent per year.

“(ii) A lump sum payment which—

“(I) results in a shortening of the payment period with respect to an annuity or a full or partial commutation of the future annuity payments, provided that such lump sum is determined using reasonable actuarial methods and assumptions, as deter--
mined in good faith by the issuer of
the contract, or

“(II) accelerates the receipt of
annuity payments which are scheduled
to be received within the ensuing 12
months, regardless of whether such
acceleration shortens the payment pe-
riod with respect to the annuity, re-
duces the dollar amount of benefits to
be paid under the contract, or results
in a suspension of annuity payments
during the period being accelerated.

“(iii) An amount which is in the na-
ature of a dividend or similar distribution,
provided that the issuer of the contract de-
termines such amount based on a reason-
able comparison of the actuarial factors as-
sumed when calculating the initial annuity
payments and the issuer’s experience with
respect to those factors.

“(iv) A final payment upon death
which does not exceed the excess of—

“(I) the total amount of the con-
sideration paid for the annuity pay-
ments, over
“(II) the aggregate amount of prior distributions or payments from or under the contract.”.

(b) REGULATIONS AND ENFORCEMENT.—

(1) REGULATIONS.—Not later than the date which is 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall amend the regulation issued by the Department of the Treasury relating to “Required Distributions from Retirement Plans” (69 Fed. Reg. 33288 (June 15, 2004)), and make any necessary corresponding amendments to other regulations, in order to—

(A) conform such regulations to the

amendments made by subsection (a), including by eliminating the types of payments described in section 401(a)(9)(J) of the Internal Revenue Code of 1986, as added by subsection (a), from the scope of the requirement in Q&A–14(c) of Treas. Reg. section 1.401(a)(9)–6 that the total future expected payments must exceed the total value being annuitized;

(B) amend Q&A–14(c) of such section 1.401(a)(9)–6 to provide that a commercial annuity which provides an initial payment which is at least equal to the initial payment which
would be required from an individual account pursuant to Treas. Reg. section 1.401(a)(9)–5 will be deemed to satisfy the requirement in Q&A–14(c) of such section 1.401(a)(9)–6 that the total future expected payments must exceed the total value being annuitized; and

(C) amend Q&A–14(e)(3) of Treas. Reg. section 1.401(a)(9)–6 to provide that the total future expected payments under a commercial annuity are determined using the tables or other actuarial assumptions which the issuer of the contract actually uses in pricing the premiums and benefits with respect to the contract, provided that such tables or other actuarial assumptions are reasonable.

(2) EFFECTIVE DATE.—The modifications and amendments required under paragraph (1) shall be deemed to have been made as of the date of the enactment of this Act, and as of such date the Secretary of the Treasury shall administer and enforce the law with respect to plan years beginning before, on, or after the date of the enactment of this Act in accordance with the amendments made by subsection (a) and as though the actions which the Sec-
retary is required to take under paragraph (1) had
been taken.

SEC. 203. ELIMINATING A PENALTY ON PARTIAL
ANNUITIZATION.

(a) ELIMINATING A PENALTY ON PARTIAL
ANNUITIZATION.—The Secretary of the Treasury shall
amend the regulations under section 401(a)(9) of the In-
ternal Revenue Code of 1986 to provide that if an employ-
ee’s benefit is in the form of an individual account under
a defined contribution plan, the plan may allow the em-
ployee to elect to have the amount required to be distrib-
uted from such account under such section for a year to
be calculated as the excess of the total required amount
for such year over the annuity amount for such year.

(b) DEFINITIONS.—For purposes of this section—

(1) TOTAL REQUIRED AMOUNT.—The term
“total required amount”, with respect to a year,
means the amount which would be required to be
distributed under Treas. Reg. section 1.401(a)(9)-5
for the year, determined by treating the account bal-
ance as of the last valuation date in the immediately
preceding calendar year as including the value on
that date of all annuity contracts which were pur-
chased with a portion of the account and from which
payments are made in accordance with Treas. Reg. section 1.401(a)(9)-6.

(2) **ANNUITY AMOUNT.**—The term “annuity amount”, with respect to a year, is the total amount distributed in the year from all annuity contracts described in paragraph (1).

(c) **CONFORMING REGULATORY AMENDMENTS.**—The Secretary of the Treasury shall amend the regulations under sections 403(b)(10), 408(a)(6), 408(b)(3), and 457(d)(2) of the Internal Revenue Code of 1986 to conform to the amendments described in subsection (a). Such conforming amendments shall treat all individual retirement plans (as defined in section 7701(a)(37) of such Code) which an individual holds as the owner, or which an individual holds as a beneficiary of the same decedent, as one such plan for purposes of the amendments described in subsection (a). Such conforming amendments shall also treat all contracts described in section 403(b) of such Code which an individual holds as an employee, or which an individual holds as a beneficiary of the same decedent, as one such contract for such purposes.

(d) **EFFECTIVE DATE.**—The modifications and amendments required under subsections (a) and (c) shall be deemed to have been made as of the date of the enactment of this Act, and as of such date all applicable laws
shall be applied in all respects as though the actions which
the Secretary of the Treasury is required to take under
such subsections had been taken.

SEC. 204. INSURANCE-DEDICATED EXCHANGE-TRADED
FUNDS.

(a) In General.—Not later than the date which is
1 year after the date of the enactment of this Act, the
Secretary of the Treasury shall amend the regulation
issued by the Department of the Treasury relating to “In-
come Tax; Diversification Requirements for Variable An-
nuity, Endowment, and Life Insurance Contracts,” 54
Fed. Reg. 8728 (March 2, 1989), and make any necessary
corresponding amendments to other regulations, in order
to facilitate the use of exchange-traded funds as invest-
ment options under variable contracts within the meaning
of section 817(d) of the Internal Revenue Code of 1986,
in accordance with subsections (b) and (c) of this section.

(b) Designate Certain Authorized Participants and Market Makers as Eligible Investors.—
The Secretary of the Treasury shall amend Treas. Reg.
section 1.817-5(f)(3) to provide that satisfaction of the re-
quirements in Treas. Reg. section 1.817-5(f)(2)(i) with re-
spect to an exchange-traded fund shall not be prevented
by reason of beneficial interests in such a fund being held
by 1 or more authorized participants or market makers.
(c) Confirm That Similarities to Other Funds Are Irrelevant.—The Secretary of the Treasury shall amend Treas. Reg. section 1.817-5(f) to confirm that, for Federal income tax purposes, a regulated investment company, partnership, or trust (including an exchange-traded fund) that satisfies the requirements of Treas. Reg. section 1.817-5(f)(2) and (3) shall not be treated as owned by the holder of a variable contract pursuant to the principles of Rev. Rul. 81-225, 1981-2 C.B. 12, merely because another regulated investment company, partnership, trust, or similar investment vehicle follows the same investment strategy, has the same investment manager, or holds the same investments.

(d) Define Relevant Terms.—In amending Treas. Reg. section 1.817-5(f)(3) in accordance with subsections (b) and (e) of this section, the Secretary of the Treasury shall provide definitions consistent with the following—

(1) Exchange-Traded Fund.—The term “exchange-traded fund” means a regulated investment company, partnership, or trust—

(A) that is registered with the Securities and Exchange Commission as an open-end investment company or a unit investment trust;
(B) the shares of which can be purchased
or redeemed directly from the fund only by an
authorized participant; and

(C) the shares of which are traded
throughout the day on a national stock ex-
change at market prices that may or may not
be the same as the net asset value of the
shares.

(2) AUTHORIZED PARTICIPANT.—The term
“authorized participant” means a financial institu-
tion that is a member or participant of a clearing
agency registered under section 17A(b) of the Secu-
rities Exchange Act of 1934 that enters into a con-
tractual relationship with an exchange-traded fund
pursuant to which the financial institution is per-
mitted to purchase and redeem shares directly from
the fund and to sell such shares to third parties, but
only if the contractual arrangement or applicable law
precludes the financial institution from—

(A) purchasing the shares for its own in-
vestment purposes rather than for the exclusive
purpose of creating and redeeming such shares
on behalf of third parties; and
(B) selling the shares to third parties who are not market makers or otherwise described in Treas. Reg. section 1.817-5(f)(1) and (3).

(3) Market maker.—The term “market maker” means a financial institution that is a registered broker or dealer under section 15(b) of the Securities Exchange Act of 1934 that maintains liquidity for an exchange-traded fund on a national stock exchange by being always ready to buy and sell shares of such fund on the market, but only if the financial institution is contractually or legally precluded from selling or buying such shares to or from persons who are not authorized participants or otherwise described in Treas. Reg. section 1.817-5(f)(2) and (3).

(e) EFFECTIVE DATES, ENFORCEMENT, AND INTERPRETATIONS.—

(1) EFFECTIVE DATES.—

(A) Subsection (b), and the definitions under subsection (d), shall apply to segregated asset account investments made on or after the date of enactment of this Act.

(B) Subsection (e) shall apply to taxable years beginning after December 31, 1983.
(2) **Enforcement and Interpretations.**—

Prior to the date that the Secretary of the Treasury issues final regulations pursuant to this section—

(A) the Secretary shall administer and enforce the law in accordance with this section and the effective dates in paragraph (1) of this subsection, and

(B) taxpayers may rely upon their reasonable good faith interpretations of the preceding subsections of this section.

**TITLE III—SIMPLIFICATION AND CLARIFICATION OF RETIREMENT PLAN RULES**

**SEC. 301. REVIEW AND REPORT TO THE CONGRESS RELATING TO REPORTING AND DISCLOSURE REQUIREMENTS.**

(a) **Study.**—As soon as practicable after the date of the enactment of this Act, the Secretary of Labor, the Secretary of the Treasury, and the Director of the Pension Benefit Guaranty Corporation shall review the reporting and disclosure requirements of—

(1) title I of the Employee Retirement Income Security Act of 1974, as applicable to pension plans (as defined in section 3(2) of such Act); and
(2) the Internal Revenue Code of 1986, as applicable to qualified retirement plans (as defined in section 4974(c) of such Code, without regard to paragraphs (4) and (5) thereof).

(b) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Labor, the Secretary of the Treasury, and the Director of the Pension Benefit Guaranty Corporation, jointly, shall make such recommendations as may be appropriate to the appropriate committees of the Congress to consolidate, simplify, standardize, and improve the applicable reporting and disclosure requirements so as to simplify reporting for plans described in subsection (a) and ensure that necessary, comprehensible information is provided to participants and beneficiaries of such plans.

SEC. 302. CONSOLIDATION OF DEFINED CONTRIBUTION PLAN NOTICES.

(a) IN GENERAL.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Labor and the Secretary of the Treasury shall adopt final regulations providing that a plan may, but is not required to, consolidate 2 or more of the notices required under sections 404(c)(5)(B) and 514(e)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(c)(5)(B) and 29 U.S.C. 1144(e)(3)) and sections
401(k)(12)(D), 401(k)(13)(E), and 414(w)(4) of the Internal Revenue Code of 1986 into a single notice or, to the extent provided by such regulations, consolidate such notices with the summary plan description or summary of material modifications described in section 104(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)), so long as the combined notice, summary plan description, or summary of material modifications includes the required content, clearly identifies the issues addressed therein, is provided at the time and with the frequency required for each such notice, and is presented in a manner that is understandable and does not obscure or fail to highlight important points for participants and beneficiaries.

(b) Consolidation With Summary Plan Description or Summary of Material Modifications.—The Secretary of Labor and the Secretary of the Treasury may include in the regulations under subsection (a) rules to ensure that, to the extent such notices are consolidated with the summary plan description or summary of material modifications, the presentation, placement, or prominence of the information in such notices shall not have the effect of failing to inform participants and beneficiaries regarding the information in such notices.
SEC. 303. PERFORMANCE BENCHMARKS FOR ASSET ALLOCATION FUNDS.

(a) In General.—Not later than 6 months after the date of the enactment of this Act, the Secretary of Labor shall modify the regulations under section 404 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104) to provide that, in the case of a designated investment alternative which contains a mix of asset classes, a plan administrator may, but is not required to, use a benchmark which is a blend of different broad-based securities market indices if—

(1) the blend is reasonably representative of the asset class holdings of the designated investment alternative;

(2) for purposes of determining the blend’s returns for 1-, 5-, and 10-calendar year periods (or for the life of the alternative, if shorter), the blend is modified at least once per year to reflect changes in the asset class holdings of the designated investment alternative;

(3) the blend is presented to participants and beneficiaries in a manner that is reasonably designed to be understandable and helpful; and

(4) each securities market index which is used for an associated asset class would separately satisfy
the requirements of such regulations for such asset
class.

(b) STUDY.—Not later than December 31, 2019, the
Secretary of Labor shall deliver a report to the Commit-
tees on Ways and Means and Education and the Work-
force of the House of Representatives and the Committees
on Finance and Health, Education, Labor and Pensions
of the Senate regarding the effectiveness of the
benchmarking requirements under section 2550.404a–5 of

SEC. 304. PERMIT NONSPOUSAL BENEFICIARIES TO ROLL
ASSETS TO PLANS.

(a) IN GENERAL.—Section 402(c) is amended by
adding at the end the following new paragraph:

“(12) DISTRIBUTIONS TO QUALIFIED PLAN OF
NONSPOUSE BENEFICIARY.—If, with respect to any
portion of a distribution from an eligible retirement
plan described in paragraph (8)(B)(iii) of a deceased
employee, a direct trustee-to-trustee transfer is made
to a plan or annuity described in clause (iii), (iv),
(v), or (vi) of paragraph (8)(B) of 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—
“(A) the transfer shall be treated as an eligible rollover distribution, and

“(B) section 401(a)(9)(B) (other than clause (iv) thereof) shall apply to such plan.”.

(b) Conforming Amendments.—

(1) 403(A) Plans.—Subparagraph (B) of section 403(a)(4) is amended by striking “and (11) and (9)” and inserting “, (9), (11), and (12)”.

(2) 403(B) Plans.—Subparagraph (B) of section 403(b)(8) is amended by striking “and (11)” and inserting “(11), and (12)”.

(3) 457 Plans.—Subparagraph (B) of section 457(e)(16) is amended by striking “and (11)” and inserting “(11), and (12)”.

(c) Effective Date.—The amendments made by this section shall apply to distributions made after the date of the enactment of this Act.

Sec. 305. Deferral Agreements.

(a) In General.—Paragraph (4) of section 457(b) of the Internal Revenue Code of 1986 is amended by inserting “, or, in the case of a plan of an eligible employer described in subsection (e)(1)(A), before the date on which the compensation is (but for the deferral) available” before the comma at the end.
(b) **Effective Date.**—The amendment made by this section shall apply to years beginning after December 31, 2018.

**SEC. 306. SIMPLIFYING 402(F) NOTICES.**

Not later than December 31, 2018, the Secretary of the Treasury, in consultation with the Secretary of Labor and the Director of the Pension Benefit Guaranty Corporation, shall simplify the model notices issued under section 402(f) of the Internal Revenue Code of 1986 so as to facilitate better understanding by recipients of different distribution options and corresponding tax consequences. Such model notices shall include an explanation of the effect of elections on spousal rights.

**SEC. 307. GUIDANCE RELATED TO CERTAIN OVERPAYMENT RECOUPMENT PRACTICES.**

(a) **Overpayments Under Internal Revenue Code of 1986.**—Not later than December 31, 2018, the Secretary of the Treasury shall further modify the Employee Plans Compliance Resolution System (as described in Revenue Procedure 2018-52 or any successor guidance, and modified by section 118 of this Act)—

(1) to clarify that in no case shall any person be required to seek recoupment of an inadvertent overpayment (as defined in such System) from a participant or beneficiary; and
(2) except as otherwise provided by such Secretary based on the size of the overpayment, to treat a contribution of an inadvertent overpayment which would qualify as a rollover under section 402(c), 403(a)(4), 403(b)(8), or 457(e)(16) of the Internal Revenue Code of 1986 but for the fact that it is an overpayment as a rollover contribution for all purposes under such Code.

No inference is intended regarding the existence in any particular situation of an obligation for any person to pay a plan for an overpayment.

(b) OVERPAYMENTS UNDER ERISA.—Not later than December 31, 2018, the Secretary of Labor shall prescribe rules under which no fiduciary of a plan shall have a duty under part 4 of title I of the Employee Retirement Income Security Act of 1974 to seek recoupment from a participant or beneficiary of an inadvertent overpayment (within the meaning of such term as used in subsection (a)), provided that, if a repayment is required, such overpayment is paid back by the plan sponsor or other person.

(c) OVERPAYMENTS BY PBGC.—Effective for overpayments made to a participant or beneficiary after December 31, 2018, the Pension Benefit Guaranty Corporation shall not reduce future payments with respect to the
same participant or beneficiary by more than 10 percent in recouping such overpayment.

SEC. 308. TREATMENT OF CUSTODIAL ACCOUNTS ON TERMINATION OF SECTION 403(B) PLANS.

(a) IN GENERAL.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall issue guidance to provide that, if an employer terminates the plan under which amounts are contributed to a custodial account under subparagraph (A) of section 403(b)(7) of the Internal Revenue Code of 1986—

(1) the plan administrator or custodian may distribute an individual custodial account in-kind to a participant or beneficiary of the plan, and

(2) the distributed custodial account shall be maintained by the custodian on the same basis as a custodial account to which section 403(b)(7) of such Code applies, similar to the treatment of fully-paid individual annuity contracts under Revenue Ruling 2011–7, until amounts are actually paid to the participant or beneficiary.

(b) TREATMENT OF ACCOUNTS.—The guidance issued under subsection (a) shall also provide that—

(1) the status of the distributed custodial account under section 403(b)(7) of the Internal Rev-
venue Code of 1986 is generally maintained if the custodial account thereafter adheres to the requirements of section 403(b) of such Code which are in effect at the time of the distribution of the account, and

(2) a custodial account will not be considered distributed to the participant or beneficiary if the employer has any material retained rights under the account.

For purposes of paragraph (2), an employer shall not be treated as retaining material rights over a custodial account solely because the custodial account was originally opened under a group contract.

(c) DISTRIBUTION UPON TERMINATION.—

(1) IN GENERAL.—Paragraph (11) of section 403(b) is amended by striking “or” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, or”, and by inserting after subparagraph (C) the following new subparagraph:

“(D) in the case of a termination of the plan under which contributions were made, without the establishment or maintenance of another plan under this subsection.”.
CUSTODIAL ACCOUNTS.—Section 403(b)(7)(A)(ii) is amended by striking “before the employee dies” and inserting “before the termination of the plan under which contributions were made to the custodial account (without the establishment or maintenance of another plan under this subsection), or before the employee dies”.

(d) EFFECTIVE DATE.—The guidance issued under subsections (a) and (b), and the amendments made by subsection (c), shall apply to taxable years beginning after December 31, 2008.

SEC. 309. PERMIT PLANS TO USE BASE PAY OR RATE OF PAY CALCULATION.

(a) IN GENERAL.—Not later than December 31, 2019, the Secretary of the Treasury shall modify Treasury Regulation section 1.414(s)–1(d)(3) to facilitate the use of the safe harbors in sections 401(k)(12), 401(k)(13), 401(k)(15), 401(m)(11), 401(m)(12), and 401(m)(13) of the Internal Revenue Code of 1986, and in Treasury Regulation section 1.401(a)(4)–3(b), by plans which use base pay or rate of pay in determining contributions or benefits. Such facilitation shall include increased flexibility in meeting the definition in section 414(s) of such Code in situations where the amount of overtime compensation payable in a year can vary significantly.
(b) EXCEPTION.—The Secretary of the Treasury may make any modification under subsection (a) inapplicable to plans with respect to which, on a consistent basis, overtime is a major component of a substantial portion of the employees eligible to participate in the plan who are not highly compensated employees (as defined in section 414(q) of the Internal Revenue Code of 1986).

SEC. 310. ROTH SIMPLE IRAS.

(a) IN GENERAL.—Section 408A(f) is amended—

(1) by striking “or a simple retirement account” in paragraph (1), and

(2) by striking “or account” in paragraph (2).

(b) CONFORMING AMENDMENTS.—Section 408A(c)(2) is amended by adding at the end the following flush sentence:

“In applying this paragraph to an individual on whose behalf elective employer contributions are made to a simple retirement account, the amount described in subparagraph (A) shall be increased by the amount of elective employer contributions made on behalf of the individual to such account, except to the extent that such contributions exceed the applicable dollar amount (as defined in subsection (p)(2)(E)) or cause the elective deferrals (as defined in section 402(g)(3)) on behalf of such individual to
exceed the limitation under section 402(g)(1) (taking into account subparagraph (C) thereof).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 311. REDUCTION IN EXCISE TAX ON CERTAIN ACCUMULATIONS IN QUALIFIED RETIREMENT PLANS.

(a) IN GENERAL.—Subsection (a) of section 4974 is amended by striking “50 percent” and inserting “25 percent”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 312. CLARIFICATION OF CATCH-UP CONTRIBUTIONS WITH RESPECT TO SEPARATE LINES OF BUSINESS.

(a) IN GENERAL.—Subparagraph (B) of section 414(v)(4) is amended—

(1) by striking “except that a plan” and inserting “except that—

“(i) a plan”,

(2) by striking the period at the end and inserting “, and” , and
(3) by adding at the end the following new
clause:

“(ii) for any year in which an em-
ployer complies with section 410(b) on the
basis of separate lines of business pursuant
to section 410(b)(5), the employer may
apply subparagraph (A) for such year sep-
arately with respect to employees in each
separate line of business.”.

(b) Effective Date.—The amendments made by
this section shall apply to taxable years beginning after
December 31, 2018.

SEC. 313. CLARIFICATION OF SUBSTANTIALLY EQUAL PERI-
ODIC PAYMENT RULE.

(a) In General.—Paragraph (4) of section 72(t) is
amended by inserting at the end the following new sub-
paragraph:

“(C) Rollovers to subsequent
plan.—If—

“(i) payments described in paragraph
(2)(A)(iv) are being made from a qualified
retirement plan,

“(ii) a transfer or a rollover from such
qualified retirement plan of all or a portion
of the taxpayer’s benefit under the plan is
made to another qualified retirement plan, and

“(iii) distributions from the transferor and transferee plans would in combination continue to satisfy the requirements of paragraph (2)(A)(iv) if they had been made only from the transferor plan, such transfer or rollover shall not be treated as a modification under subparagraph (A)(ii), and compliance with paragraph (2)(A)(iv) shall be determined on the basis of the combined distributions described in clause (iii).”.

(b) **NONQUALIFIED ANNUITY CONTRACTS.—** Paragraph (3) of section 72(q) is amended—

(1) by redesignating clauses (i) and (ii) of subparagraph (B) as subclauses (I) and (II), and by moving such subclauses 2 ems to the right,

(2) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), by moving such clauses 2 ems to the right, and by adjusting the flush language at the end accordingly,

(3) by striking “PAYMENTS.—If” and inserting “PAYMENTS.—

“(A) IN GENERAL.—If—”, and
(4) by adding at the end the following new sub-
paragraph:

“(B) EXCHANGES TO SUBSEQUENT CON-
TRACTS.—If—

“(i) payments described in paragraph
(2)(D) are being made from an annuity
contract,

“(ii) an exchange of all or a portion of
such contract for another contract is made
under section 1035, and

“(iii) the aggregate distributions from
the contracts involved in the exchange con-
tinue to satisfy the requirements of para-
graph (2)(D) as if the exchange had not
taken place,

such exchange shall not be treated as a modi-

fication under subparagraph (A)(ii), and com-
pliance with paragraph (2)(D) shall be deter-
mined on the basis of the combined distribu-
tions described in clause (iii).”.

(c) INFORMATION REPORTING.—Section 6724 is
amended by inserting at the end the following new sub-
section:
“(g) **Special Rule for Reporting Certain Additional Taxes.**—No penalty shall be imposed under section 6721 or 6722 if—

“(1) a person makes a return or report under section 6047(d) or 408(i) with respect to any distribution,

“(2) such distribution is made following a rollover, transfer, or exchange described in section 72(t)(4)(C) or section 72(q)(3)(C),

“(3) in making such return or report the person relies upon a certification provided by the taxpayer that the distributions satisfy the requirements of section 72(t)(4)(C)(iii) or section 72(q)(3)(B)(iii), as applicable, and

“(4) such person does not have actual knowledge that the distributions do not satisfy such requirements.”.

(d) **Safe Harbor for Annuity Payments.**—

(1) **Qualified Retirement Plans.**—Subparagraph (A) of section 72(t)(2) is amended by adding at the end the following flush sentence:

“For purposes of clause (iv), periodic payments shall not fail to be treated as substantially equal merely because they are amounts received as an annuity, and such periodic payments shall
be deemed to be substantially equal if they are payable over a period described in clause (iv) and satisfy the requirements applicable to annuity payments under section 401(a)(9).”.

(2) Other Annuity Contracts.—Paragraph (2) of section 72(q) is amended by adding at the end the following flush sentence:

“For purposes of subparagraph (D), periodic payments shall not fail to be treated as substantially equal merely because they are amounts received as an annuity, and such periodic payments shall be deemed to be substantially equal if they are payable over a period described in subparagraph (D) and would satisfy the requirements applicable to annuity payments under section 401(a)(9) if such requirements applied.”.

(c) Effective Dates.—

(1) In General.—The amendments made by subsections (a), (b), and (c) shall apply to transfers, rollovers, and exchanges occurring on or after the date of the enactment of this Act.

(2) Annuity Payments.—The amendment made by subsection (d) shall apply to distributions commencing on or after the date of the enactment of this Act.
(3) No inference.—Nothing in the amendments made by this section shall be construed to create an inference with respect to the law in effect prior to the effective date of such amendments.

SEC. 314. CLARIFICATION OF TREATMENT OF DISTRIBUTIONS OF ANNUITY CONTRACTS.

(a) In general.—Clause (i) of section 402(e)(4)(D) is amended by inserting after “section 401(c)(1).” at the end of the second sentence the following: “A distribution of an annuity contract from a trust or annuity plan referred to in the first sentence of this clause may be treated as a part of a lump sum distribution.”.

(b) Effective date.—The amendment made by this section shall take effect as if included in section 1401(b)(1) of the Small Business Job Protection Act of 1996.

SEC. 315. CLARIFICATION REGARDING ELECTIVE DEFERRALS.

(a) In general.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall issue rules clarifying that employees who have had a severance from employment may make—

(1) elective deferrals described in subparagraph (A), (B), or (C) of section 402(g)(3) of the Internal
Revenue Code of 1986 (other than elective deferrals under section 401(k)(11) of such Code),

(2) elective contributions under an eligible deferred compensation plan described in section 457(b) of such Code, and

(3) to the extent provided by the Secretary, elective deferrals described in section 402(g)(3)(D) or 401(k)(11) of such Code.

Such rules shall only permit such contributions or deferrals with respect to payments of bona fide accumulated sick leave, accumulated vacation pay, severance, or back pay. The Secretary may apply such other conditions on such contributions or deferrals as are necessary or appropriate to carry out the purposes of this section.

(b) TREATMENT OF DEFERRALS.—Except as otherwise determined by the Secretary to be necessary to carry out the purposes of this section, the rules described in subsection (a) shall provide that the contributions or deferrals shall, for purposes of section 457 and subchapter D of chapter 1 of subtitle A of the Internal Revenue Code of 1986, be treated as contributions or deferrals made on behalf of active employees, not on behalf of former employees.
SEC. 316. TAX TREATMENT OF CERTAIN NONTRADE OR BUSINESS SEP CONTRIBUTIONS.

(a) IN GENERAL.—Subparagraph (B) of section 4972(c)(6) is amended—

(1) by striking “408(p) or” and inserting “408(p),”;

(2) by inserting “, or a simplified employee pension (within the meaning of section 408(k))” after “401(k)(11))”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 317. ALLOW CERTAIN PLAN TRANSFERS AND MERGERS.

(a) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—

(1) IN GENERAL.—Section 414 is amended by adding at the end the following new subsection:

“(aa) CERTAIN PLAN TRANSFERS AND MERGERS.—

“(1) IN GENERAL.—Under rules prescribed by the Secretary, no amount shall be includible in gross income by reason of—

“(A) a transfer of all or a portion of the account balance of a participant or beneficiary, whether or not vested, from a defined contribution plan described in section 401(a) or section
403(a) of an employer to an annuity contract described in section 403(b) of the same employer,

“(B) a transfer of all or a portion of the account balance of a participant or beneficiary, whether or not vested, from an annuity contract described in section 403(b) of an employer to a defined contribution plan described in section 401(a) or section 403(a) of the same employer, or

“(C) a merger of a defined contribution plan described in section 401(a) or section 403(a) of an employer with an annuity contract described in section 403(b) of the same employer,

so long as the transfer or merger does not cause a reduction in the vested benefit or total benefit (including non-vested benefit) of any participant or beneficiary. A plan or contract shall not fail to be considered to be described in sections 401(a), 403(a), or 403(b) (as applicable) merely because such plan or contract engages in a transfer or merger described in this paragraph.

“(2) DISTRIBUTIONS.—Amounts transferred or merged pursuant to paragraph (1) shall be subject
to the requirements of paragraphs (3) and (4) and to the distribution requirements under sections 401(a), 403(a), or 403(b) applicable to the transferee or merged plan.

“(3) **Spousal Consent and Anti-Cutback Protection.** In the case of a transfer or merger described in paragraph (1), amounts in the transferee or merged plan that are attributable to the transferor or predecessor plan shall—

“(A)(i) be subject to section 401(a)(11) and section 205 of the Employee Retirement Income Security Act of 1974 to the extent that such sections applied to such amounts in the transferor or predecessor plan, or

“(ii) be required to satisfy the requirements of section 401(a)(11)(B)(iii)(I) and section 205(b)(1)(C)(i) of the Employee Retirement Income Security Act of 1974 to the extent that such sections applied to such amounts in the transferor or predecessor plan, and

“(B) be treated as subject to section 411(d)(6) and section 204(g) of the Employee Retirement Income Security Act of 1974 to the extent that such amounts were subject to such sections in the transferor or predecessor plan.
“(4) SPECIAL RULES.—Under rules prescribed by the Secretary, to the extent amounts transferred or merged pursuant to paragraph (1) were otherwise entitled to grandfather treatment under the transferor or predecessor plan, such amounts (and income or loss attributable thereto) shall remain entitled to such treatment under the transferee or merged plan. The rules prescribed by the Secretary shall require that such amounts be separately accounted for by the transferee or merged plan. For purposes of this paragraph, the term ‘grandfather treatment’ means any special treatment under this title that is provided for prior benefits, prior periods of time, or certain individuals in connection with a change in the applicable law.

“(5) CONSENT.—In the case of a qualified trust described in section 401(a) or 403(a) and an annuity contract described in section 403(b) with respect to which transfers may be made only with the consent of a participant or beneficiary pursuant to the terms of such trust or contract or pursuant to applicable law, such consent requirement shall apply without regard to this subsection. Nothing in this subsection shall affect the application of contract or
plan terms otherwise applicable in the case of a withdrawal from the contract or plan.”.

(2) AGGREGATION.—Paragraph (2) of section 414(t) is amended by inserting “414(aa),” after “274(j),”.

(3) TECHNICAL AMENDMENT.—The heading of subsection (z) of section 414 is amended by striking “PLAN” and inserting “CHURCH PLAN”.

(b) AMENDMENT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

“(d) This title shall apply to any plan or contract described in section 414(bb) of the Internal Revenue Code of 1986 to the extent necessary to comply with the requirements of such section.”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transfers or mergers in
years beginning after the Secretary of the Treasury prescribes rules under section 414(aa) of the Internal Revenue Code of 1986, as added by this section.

(2) RULES.—The Secretary of the Treasury shall issue rules under section 414(aa) of the Inter-
nal Code of 1986, as so added, within 1 year after the date of the enactment of this Act.

SEC. 318. EXCEPTION FROM REQUIRED DISTRIBUTIONS WHERE AGGREGATE RETIREMENT SAVINGS DO NOT EXCEED $100,000.

(a) In General.—Section 401(a)(9), as amended by this Act, is further amended by adding at the end the following new subparagraph:

“(K) Exception from required minimum distributions during life of employee or beneficiary where assets do not exceed $100,000.—

“(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 $100,000, then, with respect to any applicable eligible retirement plan of the employee, during any succeeding calendar year beginning before the next measurement date—

“(I) the requirements of subparagraph (A) shall not apply to the employee, and
“(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, but does not include any defined benefit plan.

“(iii) 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 which were not previously taken into account in applying 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 employee.

“(III) Special Rule.—In the case of an employee who receives account statements at least annually with respect to a plan, the value of the employee’s interest in such plan as shown on the last account statement provided to such employee for such calendar year may (at the election of the employee) be treated as the value of the employee’s interest in
such plan on the measurement date. If such last account statement does not include all amounts described in subclause (II) for such calendar year, the last day of the next calendar year shall be a new measurement date in accordance with subclause (II) and a new determination shall be made as to whether clause (i) applies to such employee.

“(iv) DETERMINATION OF VALUE.—For purposes of this subparagraph, the value of an employee’s interest in a plan is the account balance of such plan.

“(v) 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.

“(vi) COST OF LIVING ADJUSTMENTS.—The Secretary shall adjust annually the $100,000 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, 2018, and any increase which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

“(vii) PLAN RELIANCE.—The plan administrator of an applicable eligible retirement plan may rely on a certification provided by an employee that such employee’s interest in other applicable eligible retirement plans does not prevent such employee from being described in clause (i). Any such certification shall apply to all future
years in the absence of a contrary certification from the employee, and shall apply to the current year if made not later than March 15 of such current year.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to initial measurement dates occurring on or after December 31, 2018.

SEC. 319. HARDSHIP RULES FOR 403(B) PLANS.

(a) IN GENERAL.—Section 403(b) is amended by adding at the end the following new paragraph:

“(15) SPECIAL RULES RELATING TO HARDSHIP WITHDRAWALS.—For purposes of paragraphs (7) and (11)—

“(A) AMOUNTS WHICH MAY BE WITHDRAWN.—The following amounts may be distributed upon hardship of the employee:

“(i) Contributions made pursuant to a salary reduction agreement (within the meaning of section 3121(a)(5)(D)).

“(ii) Qualified nonelective contributions (as defined in section 401(m)(4)(C)).

“(iii) Qualified matching contributions described in section 401(k)(3)(D)(ii)(I).

“(iv) Earnings on any contributions described in clause (i), (ii), or (iii).
“(B) NO REQUIREMENT TO TAKE AVAILABLE LOAN.—A distribution shall not be treated as failing to be made upon the hardship of an employee solely because the employee does not take any available loan under the plan.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 403(b)(7)(A)(ii) is amended by striking “in the case of contributions made pursuant to a salary reduction agreement (within the meaning of section 3121(a)(5)(D))” and inserting “subject to the provisions of paragraph (15)”.

(2) Paragraph (11) of section 403(b), as amended by this Act, is further amended—

(A) by striking “in” in subparagraph (B) and inserting “subject to the provisions of paragraph (15), in”, and

(B) by striking the last sentence.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2018.

SEC. 320. IRA PRESERVATION.

(a) INFORMATION MADE AVAILABLE.—The Secretary of the Treasury shall make available to the public the following information:
(1) An overview of the laws and regulations related to individual retirement plans (as defined in section 7701(a)(37) of the Internal Revenue Code of 1986), including—

(A) limits on contributions,
(B) limits on deductions for contributions,
(C) rollovers,
(D) minimum required distributions,
(E) non-exempt prohibited transactions,

and

(F) tax consequences for early distributions.

(2) Examples of common errors by taxpayers with respect to the laws and regulations described in paragraph (1) and instructions on how to avoid such errors.

(b) REDUCTION IN EXCISE TAX ON EXCESS CONTRIBUTIONS.—Section 4973 is amended by adding at the end the following new subsection:

“(i) REDUCTION OF TAX IN CERTAIN CASES.—

“(1) REDUCTION.—In the case of a taxpayer who—

“(A) corrects, during the correction window, an excess contribution which was made to an individual retirement plan and which re-
resulted in imposition of a tax under paragraph (1) or (3) of subsection (a), and

“(B) submits a return, during the correction window, reflecting such tax (as modified by this subsection),

the first and second sentences of subsection (a) shall be applied by substituting ‘3 percent’ for ‘6 percent’ each place it appears.

“(2) CORRECTION WINDOW.—For purposes of this subsection, the term ‘correction window’ means the period beginning on the date on which the tax under subsection (a) is imposed with respect to an excess contribution, and ending on the earlier of—

“(A) the date on which the Secretary initiates an audit, or otherwise demands payment, with respect to the excess contribution, or

“(B) the last day of the second taxable year that begins after the end of the taxable year in which the tax under subsection (a) is imposed.”.

(c) REDUCTION IN EXCISE TAX ON FAILURES TO TAKE REQUIRED MINIMUM DISTRIBUTIONS.—Section 4974, as amended by this Act, is further amended by adding at the end the following new subsection:

“(e) REDUCTION OF TAX IN CERTAIN CASES.—
“(1) REDUCTION.—In the case of a taxpayer who—

“(A) corrects, during the correction window, a shortfall of distributions from an individual retirement plan which resulted in imposition of a tax under subsection (a), and

“(B) submits a return, during the correction window, reflecting such tax (as modified by this subsection),

the first sentence of subsection (a) shall be applied by substituting ‘10 percent’ for ‘25 percent’.

“(2) CORRECTION WINDOW.—For purposes of this subsection, the term ‘correction window’ means the period of time beginning on the date on which the tax under subsection (a) is imposed with respect to a shortfall of distributions from an individual retirement plan, and ending on the earlier of—

“(A) the date on which the Secretary initiates an audit, or otherwise demands payment, with respect to the shortfall of distributions, or

“(B) the last day of the second taxable year that begins after the end of the taxable year in which the tax under subsection (a) is imposed.”.

(d) REPEAL OF TAX DISQUALIFICATION PENALTY.—
(1) IN GENERAL.—Paragraph (2) of subsection (e) of section 408 is repealed.

(2) CONFORMING AMENDMENTS.—

(A) Section 408(e)(1) is amended by striking “(2) or”.

(B) Sections 220(e)(2), 223(e)(2), and 530(e) are each amended by striking “paragraphs (2) and (4) of section 408(e)” and inserting “section 408(e)(4)”.

(C) Section 4975(c)(3) is amended by striking “the account ceases to be an individual retirement account by reason of the application of section 408(e)(2)(A) or if”.

(e) STATUTE OF LIMITATIONS.—Subsection (l) of section 6501 of the Internal Revenue Code of 1986 is amended—

(1) in paragraph (1), by inserting “(other than with respect to an individual retirement plan)” after “section 4975”, and

(2) by adding at the end the following new paragraph:

“(4) INDIVIDUAL RETIREMENT PLANS.—For purposes of any tax imposed by section 4973, 4974, or 4975 in connection with an individual retirement plan, the return referred to in this section shall be
the income tax return filed by the person on whom
the tax under such section is imposed for the year
in which the act (or failure to act) giving rise to the
liability for such tax occurred. In the case of a per-
son who is not required to file an income tax return
for such year—

“(A) the return referred to in this section
shall be the income tax return that such person
would have been required to file but for the fact
that such person was not required to file such
return, and

“(B) the 3-year period referred to in sub-
section (a) with respect to the return shall be
deemed to begin on the date by which the re-
turn would have been required to be filed (ex-
cluding any extension thereof).”.

(f) **Effective Date.**—

(1) **In general.**—Subject to paragraphs (2)
and (3), this section and the amendments made by
this section shall take effect on the date of the en-
atment of this Act.

(2) **Transition provisions.**—

(A) **In general.**—The amendments made
by this section shall apply to any determination
of or affecting liability for taxes, interest, or
penalties which is made on or after the date of
the enactment of this Act, without regard to
whether the conduct upon which the determina-
tion is based occurred before such date of en-
actment.

(B) Calculation of correction win-
dow in certain cases.—In the case of an
error that would have been eligible for correc-
tion under section 4973(i) or 4974(e) of the In-
ternal Revenue Code of 1986 if tax had not
been imposed under 4973(a) or 4974(a), as the
case may be, of such Code before the date of
the enactment of this Act, the correction win-
dow referred to in sections 4973(i) and 4974(e)
of such Code (as added by this section) shall be
the period beginning on the date on which such
tax was imposed and ending on the earlier of—

(i) the date on which the Secretary of
the Treasury initiates an audit or other-
wise demands payment with respect to the
conduct described in section 4973(a) or
4974(a), as the case may be, of such Code,
or

(ii) the last day of the second taxable
year that begins after the taxable year in
which the date of the enactment of this Act occurs.

(3) IMPLEMENTATION.—Subsection (a) shall be implemented as soon as reasonably practicable after the enactment of this Act but in no case later than the date that is 1 year after such date of enactment.

SEC. 321. ELIMINATION OF ADDITIONAL TAX ON CERTAIN DISTRIBUTIONS.

(a) IN GENERAL.—Subparagraph (A) of section 72(t)(2), as amended by this Act, is further amended—

(1) by striking “or” at the end of clause (vii);

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

(3) by inserting after clause (viii) the following new clause:

“(ix) attributable to withdrawal of interest or other income earned on excess contributions (as defined in section 4973(b) (without regard to the second to last sentence thereof)) to an individual retirement plan.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any determination of, or affecting, liability for taxes, interest, or penalties which is made on or after the date of the enactment of this Act, without
regard to whether the act (or failure to act) upon which
the determination is based occurred before such date of
enactment. Notwithstanding the preceding sentence, noth-
ing in the amendments made by this section shall be con-
strued to create an inference with respect to the law in
effect prior to the effective date of such amendments.

TITLE IV—DEFINED BENEFIT
PLAN REFORMS

SEC. 401. CASH BALANCE.

(a) In General.—Section 414, as amended by this
Act, is further amended by adding at the end the following
new subsection:

“(bb) Projected Interest Crediting Rate.—
For purposes of this part, in the case of an applicable de-
finned benefit plan which provides variable interest cred-
itit rates, the interest crediting rate which is treated as
in effect and as the projected interest crediting rate shall
be a reasonable projection of such variable interest cred-
itit rate, not to exceed 6 percent.”.

(b) Amendment of Employee Retirement In-
come Security Act of 1974.—Section 210 of the Em-
ployee Retirement Income Security Act of 1974 (29
U.S.C. 1060) is amended by adding at the end the fol-
lowing new subsection:
“(g) PROJECTED INTEREST CREDITING RATE.—For purposes of this title, in the case of an applicable defined benefit plan (within the meaning of section 203(f)(3)) which provides variable interest crediting rates, the interest crediting rate which is treated as in effect and as the projected interest crediting rate shall be a reasonable projection of such variable interest crediting rate, not to exceed 6 percent.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to years beginning after the date of the enactment of this Act.

SEC. 402. ALIGNING USE OF LOOKBACK MONTHS TO DETERMINE INTEREST RATES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulation section 1.417(e)–1(d)(10)(ii) (or any successor provision) to provide that the same rule applicable to modifications of the time for determining the applicable interest rate shall apply to modifications of the time for determining any interest rate used by a plan to the extent that the use of such interest rate is permissible under section 417(e)(3) of the Internal Revenue Code of 1986. Such modified regulations shall require that after any such modification of such time under a plan pursuant to this section, no further modifications of such time are to be permitted for 5 years with
(b) **Effective Date.**—The modifications and amendments required under subsection (a) shall be deemed to have been made as of the date of the enactment of this Act, and as of such date all applicable laws shall be applied in all respects as though the actions which the Secretary of the Treasury is required to take under such subsection had been taken.

### SEC. 403. CORRECTIONS OF MORTALITY TABLES.

(a) **In General.**—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall amend the regulation relating to “Mortality Tables for Determining Present Value Under Defined Benefit Pension Plans” (82 Fed. Reg. 46388 (October 5, 2017)). Under such amendment —

1. except as provided in paragraphs (2) and (3), the mortality improvement rates for valuation dates occurring during 2018 shall be based on the mortality improvement rates in the Mortality Improvement Scale MP-2017 Report issued by the Retirement Plans Experience Committee of the Society of Actuaries,

2. for valuation dates occurring during or after 2018, such mortality improvement rates shall not as-
sume future mortality improvements at any age which are greater than .78%, and

(3) plan sponsors shall be permitted to elect for the modifications under paragraphs (1) and (2) not to apply to a plan for valuation dates occurring during 2018.

The Secretary shall by regulation modify the .78% figure in paragraph (2) as necessary to reflect material changes in the overall rate of improvement projected by the Social Security Administration.

(b) P Reserve of Current Law Option.—Notwithstanding the modifications made under subsection (a), with respect to a plan for which substitute mortality tables are not used pursuant to Treas. Reg. section 1.430(h)(3)-2 for a plan year beginning during 2018, mortality tables determined in accordance with Treas. Reg. section 1.430(h)(3)-1 as in effect on December 31, 2017, may be used for purposes of applying the rules of section 430 of the Internal Revenue Code of 1986 for a valuation date occurring during 2018 if the plan sponsor—

(1) concludes that the use of mortality tables determined in accordance with Treas. Reg. section 1.430(h)(3)-1 (without regard to any modification under this section) for the plan year would be administratively impracticable or would result in an
adverse business impact that is greater than de
minimis, and

(2) informs the plan actuary of the intent to
apply the option under this subsection.

(c) EFFECTIVE DATE.—The modifications and
amendments required under subsections (a) and (b) shall
be deemed to have been made as of the date of the enact-
ment of this Act, and as of such date all applicable laws
shall be applied in all respects as though the actions which
the Secretary of the Treasury is required to take under
such subsections had been taken.

SEC. 404. CEASE DOUBLE-INDEXING THE VARIABLE RATE
PREMIUM.

(a) IN GENERAL.—Clause (ii) of section
4006(a)(3)(E) of the Employee Retirement Income Secu-
by striking “the applicable dollar amount under paragraph
(8)” and inserting “$38”.

(b) CONFORMING AMENDMENT.—Subsection (a) of
section 4006 of the Employee Retirement Income Security
Act of 1974 (29 U.S.C. 1306(a)) is amended by striking
paragraph (8).

(e) TECHNICAL AMENDMENT.—Clause (i) of section
4006(a)(3)(E) of the Employee Retirement Income Secu-
1 by striking “subparagraph (H)” and inserting “subpara-
2 graph (I)”.
3
(d) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to plan years beginning after De-
5 cember 31, 2018.
6
TITLE V—REFORMING PLAN
7 RULES TO HARMONIZE WITH
8 IRA RULES
9
SEC. 501. ROTH PLAN DISTRIBUTION RULES.
10
(a) IN GENERAL.—Subsection (d) of section 402A is
11 amended by adding at the end the following new para-
12 graph:
13
“(5) MANDATORY DISTRIBUTION RULES NOT
14 TO APPLY BEFORE DEATH.—Notwithstanding sec-
15 tions 403(b)(10) and 457(d)(2), the following provi-
16 sions shall not apply to any designated Roth ac-
17 count:
18
“(A) Section 401(a)(9)(A).
19
“(B) The incidental death benefit require-
20 ments of section 401(a).”.
21
(b) EFFECTIVE DATE.—
22
(1) IN GENERAL.—Except as provided in para-
23 graph (2), the amendment made by this section shall
24 apply to taxable years beginning after December 31,
25 2018.
(2) Special rule.—The amendment made by this section shall not apply to distributions which are required with respect to years beginning before January 1, 2019, but are permitted to be paid on or after such date.

SEC. 502. DISTRIBUTIONS FOR CHARITABLE PURPOSES.

(a) In general.—Section 402 is amended by adding at the end the following new subsection:

“(m) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

“(1) IN GENERAL.—Gross income for any taxable year shall not include so much of the aggregate amount of qualified charitable distributions made with respect to a taxpayer during such taxable year which does not exceed the applicable amount.

“(2) QUALIFIED CHARITABLE DISTRIBUTION.—

For purposes of this subsection, the term ‘qualified charitable distribution’ means any distribution from an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B)—

“(A) which is made directly by the plan to an organization described in section 170(b)(1)(A) (other than any organization described in section 509(a)(3) or any fund or account described in section 4966(d)(2)), and
“(B) which is made on or after the date that the individual on whose behalf the distribution is made has attained age 70\(\frac{1}{2}\).

A distribution shall be treated as a qualified charitable distribution only to the extent that the distribution would be includible in gross income without regard to paragraph (1).

“(3) SPECIAL RULES.—

“(A) IN GENERAL.—Rules similar to the rules of paragraphs (C) and (E) of section 408(d)(8) shall apply for purposes of this subsection.

“(B) APPLICATION OF 72.—Rules similar to the rules of section 408(d)(8)(D) shall apply for purposes of this subsection, by taking into account all amounts in the eligible retirement plan to which the taxpayer has a nonforfeitable right in lieu of all amounts in all individual retirement plans of the individual.

“(4) APPLICABLE AMOUNT.—For purposes of this subsection, the term ‘applicable amount’ means the excess of—

“(A) $100,000, over

“(B) the total amount of any distributions not includible in gross income of the taxpayer.
for the taxable year by reason of sections 403(b)(16), 408(d)(8), and 457(e)(19).”.

(b) SEPs AND SIMPLES.—Subparagraph (B) of section 408(d)(8) is amended by striking “(other than a plan described in subsection (k) or (p))”.

(c) 403(B) PLANS.—Section 403(b), as amended by this Act, is further amended by adding at the end the following new paragraph:

“(16) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—The rules of section 402(m) shall apply to distributions under an annuity contract described in this subsection.”.

(d) 457(B) PLANS.—Subsection (e) of section 457 is amended by adding at the end the following new paragraph:

“(19) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—The rules of section 402(m) shall apply to distributions under an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A).”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2018.
SEC. 503. SURVIVING SPOUSE ELECTION TO BE TREATED AS EMPLOYEE.

(a) In General.—Clause (iv) of section 401(a)(9)(B) is amended—

(1) by inserting “or at the election of the surviving spouse,” after “begin,” in subclause (II), and

(2) by adding at the end the following flush sentence:

“An election described in subclause (II) shall be made at such time and in such manner as prescribed by the Secretary, shall include a timely notice to the plan administrator, and once made may not be revoked except with the consent of the Secretary.”.

(b) Effective Date.—The amendment made by this section shall apply to distributions with respect to employees who die after December 31, 2018.

SEC. 504. ROLLOVERS FROM ROTH IRAS TO PLANS.

(a) In General.—Subparagraph (B) of section 402A(c)(3) is amended by striking “shall not” and inserting “or, in the case of a rollover from a Roth IRA, under section 408 shall not”.

(b) Regulations.—The Secretary of the Treasury shall amend the regulations with respect to rollovers from Roth IRAs to permit such rollovers to be made to an appli—
cable retirement plan (as defined in section 402A(e)(1) of
the Internal Revenue Code of 1986) in accordance with
the amendment made by subsection (a).

(c) Effective Date.—

(1) In general.—The amendment made by
subsection (a) shall apply to distributions made after
December 31, 2018.

(2) Effective date.—The modifications and
amendments required under subsection (b) shall be
deemed to have been made as of January 1, 2019,
and as of such date all applicable laws shall be ap-
plied in all respects as though the actions which the
Secretary of the Treasury is required to take under
such subsection had been taken.

TITLE VI—ADMINISTRATIVE
PROVISIONS

SEC. 601. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) In general.—If this section applies to any re-
tirement plan or contract amendment—

(1) such retirement plan or contract shall be
treated as being operated in accordance with the
terms of the plan during the period described in sub-
section (b)(2)(A), and

(2) except as provided by the Secretary of the
Treasury, such retirement 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.

(b) Amendments to Which Section Applies.—

(1) In general.—This section shall apply to any amendment to any retirement plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act or pursuant to any regulation issued by the Secretary of the Treasury or the Secretary of Labor under this Act, and

(B) on or before the last day of the first plan year beginning on or after January 1, 2021.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting “2023” for “2021”.

(2) Conditions.—This section shall not apply to any amendment unless—

(A) during the period—

   (i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the
case of a plan or contract amendment not
required by such legislative or regulatory
amendment, the effective date specified by
the plan), and

(ii) ending on the date described in
paragraph (1)(B) (as modified by the sec-
ond sentence of paragraph (1)) (or, if ear-
lier, 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

(B) such plan or contract amendment ap-
plies retroactively for such period.