H. R. 4049

To amend the Internal Revenue Code of 1986 to expand personal saving and retirement savings coverage by enabling employees not covered by qualifying retirement plans to save for retirement through automatic IRA arrangements, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

February 16, 2012

Mr. Neal (for himself and Mr. Blumenauer) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

A BILL

To amend the Internal Revenue Code of 1986 to expand personal saving and retirement savings coverage by enabling employees not covered by qualifying retirement plans to save for retirement through automatic IRA arrangements, 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 SECTION 1. SHORT TITLE; REFERENCE.

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Automatic IRA Act of 2012”.

6
(b) Amendment of 1986 Code.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment 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.

SEC. 2. EMPLOYEES NOT COVERED BY QUALIFYING RETIREMENT PLANS OR ARRANGEMENTS ENTITLED TO PARTICIPATE IN AUTOMATIC IRA ARRANGEMENTS.

(a) In General.—Subpart A of part I of subchapter D of chapter 1 (relating to pension, profit-sharing, stock bonus plans, etc.) is amended by inserting after section 408A the following new section:

"SEC. 408B. RIGHT TO AUTOMATIC IRA ARRANGEMENTS AT WORK."

"(a) Requirement To Provide Automatic IRA Arrangement.—Each covered employer shall make available to each qualifying employee of the employer for the calendar year an automatic IRA arrangement.

"(b) Covered Employer.—For purposes of this section—

"(1) In General.—Except as otherwise provided in this subsection or subsection (c)(2), the term ‘covered employer’ means, with respect to any
year, an employer which does not maintain a qualifying plan or arrangement described in section 219(g)(5) for the calendar year.

“(2) EXCLUDED PLANS.—A qualifying plan or arrangement shall not be taken into account for purposes of paragraph (1) if—

“(A) the plan or arrangement is frozen as of the first day of the preceding calendar year, or

“(B) in the case of a plan or arrangement under which the only contributions are discretionary on the part of the employer or other plan sponsor, no employer contribution has been made to the plan or arrangement for the 2-plan-year period ending with the last plan year ending in the second preceding calendar year and it is not reasonable to assume that an employer contribution will be made for the last plan year ending in the preceding calendar year.

“(3) EXCEPTION FOR CERTAIN SMALL AND NEW EMPLOYERS.—

“(A) IN GENERAL.—The term ‘covered employer’ does not include an employer for a calendar year if the employer either—
“(i) did not employ more than 10 employees who received at least $5,000 of compensation (as defined in section 3401(a)) from the employer for the preceding calendar year,

“(ii) did not normally employ more than 10 employees on a typical business day of the preceding calendar year, or

“(iii) was not in existence at all times during the calendar year and the preceding calendar year.

“(B) OPERATING RULES.—In determining the number of employees for purposes of subparagraph (A)—

“(i) rules consistent with any rules applicable in determining the number of employees for purposes of section 408(p)(2)(C) and section 4980B(d) shall apply,

“(ii) all members of the same family (within the meaning of section 318(a)(1)) shall be treated as 1 individual, and

“(iii) any reference to an employer shall include a reference to any predecessor employer.
“(4) Exception for Governments and Churches.—The term ‘covered employer’ does not include—

“(A) a government or entity described in section 414(d), or

“(B) a church or a convention or association of churches which is exempt from tax under section 501.

“(5) Aggregation Rule.—All persons treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414 shall be treated as a single employer.

“(c) Qualifying Employee.—For purposes of this section—

“(1) In General.—The term ‘qualifying employee’ means any employee of the employer who is not an excluded employee.

“(2) Plan Sponsor’s Employees.—If—

“(A) an employer maintains one or more qualifying plans or arrangements described in section 219(g)(5), and

“(B) the employees of a subsidiary, division, or other major business unit are generally not eligible to participate in any such qualifying plan or arrangement,
then, for purposes of this section, the employer shall be treated as a covered employer with respect to such employees (other than excluded employees), and such employees (other than excluded employees) shall be treated as qualifying employees, but only if there are 50 or more ineligible employees of such subsidiary, division or other major business unit constituting at least 10 percent of the employees of the employer (other than excludable employees).

“(3) EXCLUDED EMPLOYEES.—

“(A) IN GENERAL.—The term ‘excluded employee’ means an employee of the employer who is an excludable employee and who is in a class or category that the employer excludes from treatment as qualifying employees.

“(B) EXCLUDABLE EMPLOYEE.—The term ‘excludable employee’ means—

“(i) any employee described in section 410(b)(3),

“(ii) any employee who has not attained the age of 18 before the beginning of the calendar year,

“(iii) any employee who has not completed at least 3 months of service with the employer,
“(iv) in the case of an employer that maintains a qualifying plan or arrange-
ment which excludes employees who have not satisfied the minimum age and service requirements for participation in the plan, any employee who has not satisfied such requirements,
“(v) in the case of an employer that maintains a section 403(b) annuity con-
tract (including a custodial account or re-
tirement income account), any employee who is permitted to be excluded from any salary reduction arrangement under the contract pursuant to section 403(b)(12),
“(vi) in the case of an employer that maintains an arrangement described in section 408(p), any employee who is not required to be eligible to participate in the arrangement under section 408(p)(4), and
“(vii) in the case of an employer that maintains a simplified employee pension described in section 408(k), any employee who is permitted to be excluded from par-
ticipation under section 408(k)(2).
“(4) GUIDANCE.—The Secretary shall issue regulations or other guidance to carry out this subsection, including—

“(A) guidelines for determining the classes or categories of employees to be covered by an automatic IRA arrangement,

“(B) if an employer excludes employees from the automatic IRA arrangement, guidelines providing that the employer shall specify the classification or categories of employees who are so excluded, and

“(C) rules to prevent avoidance of the requirements of this section.

“(d) AUTOMATIC IRA ARRANGEMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘automatic IRA arrangement’ means an arrangement of an employer (determined without regard to whether the employer is required to maintain the arrangement)—

“(A) which covers each qualifying employee of the covered employer for the calendar year,

“(B) under which a qualifying employee—

“(i) may elect—

“(I) to contribute to an individual retirement plan, or to purchase
a qualified retirement bond on behalf of the employee, by having the employer deposit payroll deduction amounts or make other periodic direct deposits (including electronic payments) to the plan or to be invested in retirement bonds (whether to the Secretary of the Treasury or to a designated trustee or other agent for that purpose), or

“(II) to have such payments paid to the employee directly in cash,

“(ii) is treated as having made the election under clause (i)(I) in the amount specified in paragraph (4) until the individual specifically elects not to have such contributions or purchases made (or specifically elects to have such contributions or purchases made at a different percentage or in a different amount), and

“(iii) may elect to modify the manner in which such amounts are invested for such year,
“(C) which meets the administrative requirements of paragraph (2), including the notice requirement of paragraph (2)(C), and

“(D) which does not charge unreasonable additional fees solely on the basis that the balance in an automatic IRA is small.

“(2) ADMINISTRATIVE REQUIREMENTS.—

“(A) PAYMENTS.—The requirements of this paragraph are met with respect to any automatic IRA arrangement if the employer makes the payments elected or treated as elected under paragraph (1)(B)—

“(i) on or before the last day of the month following the month in which the compensation otherwise would have been payable to the employee in cash, or

“(ii) before such later deadline prescribed by the Secretary for making such payments, but not later than the due date for the deposit of tax required to be deducted and withheld under chapter 24 (relating to collection of income tax at source on wages) for the payroll period to which such payments relate.
“(B) Termination of Employee Participation.—Subject to a requirement for reasonable notice, an employee may elect to terminate participation in the arrangement at any time during a calendar year, except that if an employee so terminates, the arrangement may provide that the employee may not elect to resume participation until the beginning of the next calendar year.

“(C) Notice of Election Period.—The requirements of this paragraph shall not be treated as met with respect to any year unless the employer notifies each employee eligible to participate, within a reasonable period of time before the 30th day before the beginning of such year (and, for the first year the employee is so eligible, the 30th day before the first day such employee is so eligible), of—

“(i) the payments that may be elected or treated as elected under paragraph (1)(B),

“(ii) the opportunity to make the election to terminate participation in the arrangement under paragraph (2)(B),
“(iii) the opportunity to make the
election under paragraph (1)(B)(ii) to have
contributions or purchases made at a dif-
ferent percentage or in a different amount,
and
“(iv) the opportunity under paragraph
(1)(B)(iii) to modify the manner in which
such amounts are invested for such year.
“(D) Employer may permit employees
to choose IRA.—Subject to subsection (f), if
the employer so elects, the arrangement pro-
vides that an employee may elect to have con-
tributions made to any individual retirement
plan specified by the employee.
“(E) Employer may permit employees
to choose retirement bond.—Subject to
subsection (f), if the employer so elects, the ar-
rangement provides that an employee may elect
to have payments applied toward the purchase
of retirement bonds.
“(3) Default investments.—If an employee
is treated under clause (ii) of paragraph (1)(B) as
having made an election to participate in an auto-
matic IRA arrangement—
“(A) the employee shall be deemed to have made an election to make contributions and payments in the amount determined under such clause,

“(B) such contributions shall—

“(i) if the employer has made an election under subsection (f)(2), be transferred to an individual retirement plan of the designated trustee or issuer but only if the contributions are invested as provided in paragraph (5), or

“(ii) be applied toward the purchase of a retirement bond.

“(4) AMOUNT OF CONTRIBUTIONS AND PAYMENTS.—

“(A) IN GENERAL.—The amount specified in this paragraph is—

“(i) 3 percent of compensation, or

“(ii) such other percentage of compensation as is specified in regulations prescribed by the Secretary which is not less than 2 percent or more than 6 percent.

“(B) AUTHORITY TO PROVIDE FOR PERIODIC INCREASES.—In the case of qualifying employees under an automatic IRA arrangement
for 2 or more consecutive years, the Secretary may by regulation provide for periodic (not more frequent than annual) increases in the percentage of compensation an employee is deemed to have elected under subparagraph (A). The considerations the Secretary shall take into account in issuing any regulations under this subparagraph and subparagraph (A) shall include the potential effects on lower-income employees as well as on adequacy of savings.

“(C) PERMITTED ADDITIONAL PROCEDURES TO LIMIT CONTRIBUTIONS.—An employer—

“(i) shall have no responsibility for any calendar year for determining whether, or ensuring that, the contributions with respect to any employee do not exceed the deductible amount in effect for taxable years beginning in the calendar year under section 219(b)(5) (determined without regard to subparagraph (B) thereof), and

“(ii) shall not be treated as failing to satisfy the requirements of this section or any other provision of this title merely because the employer chooses to limit the
contributions under this subsection on be-
half of a qualifying employee for any cal-
endar year in a manner reasonably de-
signed to avoid exceeding such deductible
amount.

“(5) REQUIRED INVESTMENTS.—

“(A) IN GENERAL.—Amounts contributed
under paragraph (3)(B)(i) shall be invested
only in the class of assets or funds described in
subparagraph (B) unless the employer elects a
class of assets or funds described in subpara-
graph (C) or (D).

“(B) TARGET DATE/LIFECYCLE OPTION.—
The class of assets or funds described in this
subparagraph is the class of assets or funds
that constitutes a qualified default investment
alternative under Department of Labor regula-
tion section 2550.404c–5(e)(4)(i).

“(C) PRINCIPAL PRESERVATION.—The
class of assets or funds described in this sub-
paragraph is the class of assets or fund that is
designed to protect the principal of the indi-
vidual on an ongoing basis, including passbook
savings, certificates of deposit, insurance con-
tracts, mutual funds, United States savings
bonds (which may be indexed for inflation), and similar assets specified in regulations.

“(D) BALANCED OPTION.—The class of assets or funds described in this subparagraph is the class of assets or funds that constitutes a qualified default investment alternative under Department of Labor regulation section 2550.404c–5(e)(4)(ii).

“(6) COORDINATION WITH WITHHOLDING.—The Secretary shall modify the withholding exemption certificate under section 3402(f) so that, in the case of any qualifying employee covered under an automatic IRA arrangement, any notice and election requirements with respect to the arrangement may be met through the use of an attachment to such certificate or other modifications of the withholding exemption procedures.

“(7) TREATMENT AS IRA.—A qualifying employee for whom an automatic IRA is established under paragraph (1) may elect, at such time and in such manner and form as the Secretary may prescribe, whether to treat the individual retirement plan as described, or not described, in section 408A. If no such election is made, the plan shall be treated
as described in section 408A and shall meet the requirements of section 408A.

“(8) **Employer’s option to obtain affirmative elections from employees instead of automatic enrollment.**—As an alternative to automatic enrollment, an employer may choose to comply with subsection (d)(1)(B)(ii) by notifying employees that the employer wishes to obtain from each qualifying employee an affirmative election either to contribute or not to contribute to an automatic IRA, provided that any qualifying employee who fails to make such an election is treated in the manner provided under subsection (d)(1)(B)(ii).

“(e) **Automatic IRA Contributions and Retirement Bond Purchases Treated Like Other Contributions to Individual Retirement Plans.**—

“(1) **Tax treatment unaffected.**—The fact that a contribution to an individual retirement plan or purchase of a retirement bond is made on behalf of an employee under an automatic IRA arrangement instead of being made directly by the employee shall not affect the deductibility or other tax treatment of the contribution or of other amounts under this title.
“(2) PAYROLL SAVINGS CONTRIBUTIONS TAKEN INTO ACCOUNT.—Any contribution to an individual retirement plan or purchase of a retirement bond made on behalf of an employee under an automatic IRA arrangement shall be taken into account in applying the limitations on contributions to individual retirement plans and the other provisions of this title applicable to individual retirement plans as if the contribution or purchase had been made directly by the employee.

“(f) DEPOSITS TO PLANS OF A DESIGNATED TRUSTEE OR ISSUER AND FOR RETIREMENT BONDS.—

“(1) IN GENERAL.—An employer shall not be treated as failing to satisfy the requirements of this section or any other provision of this title merely because the employer makes all contributions (or all contributions on behalf of employees who do not specify an individual retirement plan, trustee, or issuer to receive the contributions) to individual retirement plans specified in paragraph (2) or to the Secretary or his agent for the purchase of retirement bonds specified in paragraph (3).

“(2) INDIVIDUAL RETIREMENT PLANS OTHER THAN THOSE SELECTED BY EMPLOYEE.—An employer may elect to have contributions for all quali-
fying employees participating in an automatic IRA arrangement made to individual retirement plans of a trustee or issuer under the arrangement that has been designated by the employer. The preceding sentence shall not apply unless each participant is notified in writing that the participant’s balance may be transferred without cost or penalty to another individual retirement plan established by or on behalf of the participant.

“(3) Retirement bonds.—

“(A) In general.—The Secretary shall provide that contributions deposited under subparagraph (B) shall be applied to the purchase of a retirement bond in the name of each applicable employee.

“(B) Payroll deposit features.—The Secretary shall establish procedures so that contributions may be applied to the purchase of retirement bonds without undue administrative or paperwork requirements on participating employers. Such procedures shall ensure that only 1 such retirement bond of each type (traditional or Roth) is issued for each TIN.
“(4) PAYROLL TAX DEPOSIT PROCEDURE.—The procedures the Secretary shall establish may include a procedure under which an employer—

“(A) may include with each deposit of tax required to be deducted and withheld under chapter 24 the aggregate amounts, for the period covered by the deposit, which qualifying employees have designated under subsection clause (i)(I) of subsection (d)(1)(B) (or are deemed to have designated under clause (ii) of such subsection) as contributions to purchase retirement bonds on behalf of the employees under paragraph (3), and

“(B) specifies, in such manner as the Secretary may prescribe, information needed to purchase retirement bonds on behalf of each applicable employee for whom a contribution is to be made, including—

“(i) the employee’s name and TIN, and

“(ii) the amount of the contribution.

“(5) PURPOSES.—The purposes of the retirement bond program established under this subsection and subsection (g) include—
“(A) providing new savers a convenient, low-cost investment option suitable for the initial accumulation of small automatic IRA contributions,

“(B) to reflect the intent that the long-term investment of automatic IRA funds for most savers be in the private market rather than in retirement bonds, encouraging and assisting individuals who accumulate larger amounts in retirement bonds to transfer those funds to individual retirement plans in the private market, while

“(C) permitting individuals to remain invested in retirement bonds if they choose to do so.

“(6) REGULATIONS.—The Secretary may issue such regulations as are necessary to carry out the purposes of this subsection and subsection (g), including—

“(A) establishment of procedures to communicate to individuals the importance of investment diversification and the transfer option described in subparagraph (B),

“(B) simplified procedures under which holders of retirement bonds may periodically
choose to have the bonds or their proceeds transferred to available individual retirement plans, and

“(C) means by which individuals may elect (or be treated as electing) whether to have retirement bonds or their proceeds so transferred. Any such transfer shall be treated as a rollover contribution for purposes of section 408(d)(3) (other than subparagraph (B) thereof).

“(g) RETIREMENT BOND.—

“(1) RETIREMENT BOND.—The term ‘retirement bond’ means a bond issued under chapter 31 of title 31, which by its terms, or by regulations prescribed by the Secretary under such chapter—

“(A) provides for interest to be credited at rates that take into account the expected duration of the funds invested in retirement bonds and at rates determined or adjusted in a manner and with sufficient frequency to provide substantial protection from inflation,

“(B) is not transferable, and

“(C) is designed for investment for retirement under automatic IRA arrangements or other savings vehicles.
“(2) INDIVIDUAL RETIREMENT PLAN RULES APPLICABLE.—The provisions of this title applicable to an individual retirement plan (as defined in section 7701(a)(37)), including provisions relating to contributions, holding and distributions, shall apply to a retirement bond, except as determined by the Secretary.

“(3) ANNUAL STATEMENT.—As soon as practicable after the close of the calendar year, the Secretary shall make available an annual statement to each participant setting forth—

“(A) payments made by or on behalf of the participant for the retirement bond,

“(B) amounts earned by the retirement bond,

“(C) the value of the account as of the close of such calendar year,

“(D) the importance of diversifying retirement savings,

“(E) the benefits of a well-balanced and diversified investment portfolio,

“(F) a notice of the internet website of the Department of Labor for sources of information on individual investing and diversification,
“(G) the procedures for redeeming a retirement bond and directly transferring the redeemed amount into an individual retirement plan,

“(H) other factors affecting retirement savings decisions, and

“(I) such other information as the Secretary determines necessary or appropriate.

“(h) MODEL NOTICE.—The Secretary shall—

“(1) provide a model notice, written in a manner calculated to be understandable to the average worker, that is simple for employers to use—

“(A) to notify employees of the requirement under this section for the employer to provide certain employees with the opportunity to participate in an automatic IRA arrangement, and

“(B) to satisfy the requirements of subsection (d)(2)(C),

“(2) provide uniform forms for enrollment, including automatic enrollment, in an automatic IRA arrangement, and

“(3) establish a website or other electronic means that small employers can access and use to
obtain information on automatic IRA arrangements and to obtain required notices and forms. The information referred to in paragraph (3) shall be provided in a manner designed to assist employers and providers by facilitating the identification by employers of private-sector providers of individual retirement plans and associated investment options that are appropriate for use in automatic IRA arrangements.

“(i) Cross Reference.—For provision preempting conflicting State laws, see section 2(k) of the Automatic IRA Act of 2012.”.

(b) Mandatory Transfers.—Section 401(a)(31)(B) is amended—

(1) by inserting “(including an automatic IRA arrangement)” after “individual retirement plan” each place it appears, and

(2) by adding at the end the following new sentence: “Any amount so transferred (and any earnings thereon) shall be invested in a default investment described in section 408B(d)(5).”.

(c) Penalty for Failure To Timely Remit Contributions to Automatic IRA Arrangements.—Section 4975(c) is amended by adding at the end the following new paragraph:
“(7) SPECIAL RULE FOR AUTOMATIC IRA ARRANGEMENTS.—For purposes of paragraph (1), if an employer is required under an automatic IRA arrangement under section 408B to deposit amounts withheld from an employee’s compensation into an automatic IRA or toward the purchase of a retirement bond but fails to do so within the time prescribed under section 408B(d)(2)(A), such amounts shall be treated as assets of the automatic IRA.”.

(d) COORDINATION WITH EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) EXEMPTION.—

(A) IN GENERAL.—Section 3(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1002(2)) is amended—

(i) by inserting “or (C)” after “subparagraph (B)” in subparagraph (A), and

(ii) by adding at the end the following new subparagraph:

“(C) An automatic IRA arrangement described in section 408B(d) of the Internal Revenue Code of 1986 shall not be treated as an employee pension benefit plan or pension plan if, under the arrangement, contributions are to be made to an automatic IRA the provider of
which is included in the website list established under section 408B(h)(3) of such Code, are to be made to an individual retirement plan designated by the employee, or are to be invested in retirement bonds (whether to the Secretary of the Treasury or to a designated trustee or other agent for that purpose).”.

(B) Customer identification program.—Notwithstanding the amendment made by subparagraph (A), an individual retirement plan established pursuant to an automatic IRA arrangement described in section 408B(d) of the Internal Revenue Code of 1986 shall, for purposes of any customer identification program established under section 5318(l) of title 31, United States Code, be treated as an account opened for the purpose of participating in an employee benefit plan established under the Employee Retirement Income Security Act of 1974.

(2) Fiduciary duties.—Section 404(c)(2) of such Act is amended—

(A) by inserting the following sentence before the last sentence: “In the case of an automatic IRA under section 408B of such Code
that is not exempt under section 3(2)(C), a partic-
participant or beneficiary shall, for purposes of
paragraph (1), be treated as exercising control
over the assets in the account on and after the
7th day after notice has been given to an em-
ployee that such automatic IRA has been estab-
lished on behalf of the employee.”, and

(B) by inserting “or with respect to an
automatic IRA under section 408B of such
Code” after “arrangement” in the last sen-
tence.

e) NOTICE OF AVAILABILITY OF INVESTMENT
GUIDELINES.—

(1) IN GENERAL.—Section 408(i) (relating to
reports) is amended by adding at the end the fol-
lowing new sentences: “Any report furnished under
paragraph (2) to an individual shall include notice of
the internet website of the Department of Labor for
sources of information on individual investing and
diversification.”.

(2) UPDATE INFORMATION.—Such information
shall be modified (or updated) by the Secretary of
Labor in consultation with the Secretary of the
Treasury and the Chairman of the Securities and
Exchange Commission to address needed changes due to the creation of automatic IRAs.

(f) Failure To Provide Access to Payroll Savings Arrangements.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

“SEC. 4980J. REQUIREMENTS FOR COVERED EMPLOYERS TO PROVIDE EMPLOYEES ACCESS TO AUTOMATIC IRA ARRANGEMENTS.

“(a) General Rule.—There is hereby imposed a tax on any failure by a covered employer (as defined in section 408B) to meet the requirements of subsection (d) for a calendar year.

“(b) Amount.—

“(1) In General.—The amount of the tax imposed by subsection (a) on any failure for any calendar year shall be $100 with respect to each employee to whom such failure relates.

“(2) Tax Not to Apply Where Failure Not Discovered and Reasonable Diligence Exercised.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that the employer subject to liability for the tax did not know
that the failure existed and exercised reasonable diligence to meet the requirements of subsection (d).

“(3) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 90 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

“(A) the employer subject to liability for the tax under subsection (a) exercised reasonable diligence to meet the requirements of subsection (d), and

“(B) the employer provides the automatic IRA arrangement described in section 408B to each employee eligible to participate in the arrangement by the end of the 90-day period beginning on the first date the employer knew, or exercising reasonable diligence would have known, that such failure existed.

“(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

“(c) PROCEDURES FOR NOTICE.—The Secretary may prescribe and implement procedures for obtaining confirmation that employers are in compliance with the re-
quirements of subsection (d). The Secretary, in the Sec-
retary’s discretion, may prescribe that the confirmation
shall be obtained on an annual or less frequent basis, and
may use for this purpose the annual report or quarterly
report for employment taxes, or such other means as the
Secretary may deem advisable.

“(d) REQUIREMENT TO PROVIDE EMPLOYEE ACCESS
TO AUTOMATIC IRA ARRANGEMENTS.—The requirements
of this subsection are met if the employer meets the re-
quirements of section 408B.”.

(g) WAIVER OF EARLY WITHDRAWAL PENALTY FOR
CERTAIN DISTRIBUTIONS FOLLOWING INITIAL ELECTION
TO PARTICIPATE IN AUTOMATIC IRA ARRANGEMENT.—
Subsection (t) of section 72 is amended by adding at the
end the following new paragraph:

“(11) DISTRIBUTION FOLLOWING INITIAL
ELECTION TO PARTICIPATE IN AUTOMATIC IRA AR-
RANGEMENT.—Paragraph (1) shall not apply in the
case of a distribution to a qualifying employee made
not later than 90 days after the initial election
under section 408B(d)(1)(B)(ii).”.

(h) BANKRUPTCY.—Section 522 of title 11, United
States Code, is amended—

(1) in subsection (d)(12) by inserting “408B,”
after “408A,”, and
(2) in subsection (n) by inserting "", or in an
automatic IRA arrangement described in section
408B,".

(i) AUTOMATIC IRA ADVISORY GROUP.—

(1) IN GENERAL.—Not later than 60 days after
the date of enactment of this Act, the Secretary of
the Treasury and the Secretary of Labor shall joint-
ly establish an Automatic IRA Advisory Group (in
this subsection referred to as the "Advisory
Group"). The purpose of the Advisory Group shall
be to make recommendations regarding the auto-
matic IRA investment options described in section
408B(d)(5) of the Internal Revenue Code of 1986
and the website described in section 408B(h)(3) of
such Code, including, with respect to automatic IRA
arrangements, the disclosure of information regard-
ing fees and expenses, the use of low-cost investment
options, the appropriate use of electronic methods to
provide notice and disclosure, and such other related
matters as may be determined by the Secretaries.

(2) MEMBERSHIP.—The Advisory Group shall
consist of not more than 15 members and shall be
composed of—

(A) such persons as the Secretaries of the
Treasury and Labor may consider appropriate
to provide expertise regarding investments for
retirement, including providers of individual re-
tirement accounts and individual retirement an-
uities described in section 408 or 408A of
such Code, and

(B) one or more representatives of the De-
partment of Labor and of the Department of
the Treasury.

(3) COMPENSATION.—The members of the Ad-
visory Group shall serve without compensation.

(4) ADMINISTRATIVE SUPPORT.—The Depart-
ment of the Treasury and the Department of Labor
shall jointly provide appropriate administrative sup-
port to the Advisory Group, including technical as-
sistance. The Advisory Group may use the services
and facilities of such Departments, with or without
reimbursement, as jointly determined by such De-
partments.

(5) REPORT BY ADVISORY GROUP.—Not later
than 12 months after the date of the enactment of
this Act, the Advisory Group shall submit to the
Secretary of Labor and the Secretary of the Treas-
ury a report containing its recommendations. The
Secretaries may request that the Advisory Group
submit subsequent reports.
(j) **Conforming Amendments.**—

(1) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 408A the following new item:

“Sec. 408B. Right to automatic IRA arrangements at work.”.

(2) The table of sections for chapter 43 is amended by adding at the end the following new item:

“Sec. 4980J. Requirements for employers to provide employees access to automatic IRA arrangements.”.

(k) **Preemption of Conflicting State Laws.**—

The amendments made by this section shall supersede any law of a State that would directly or indirectly prohibit or restrict the establishment or operation of an automatic IRA arrangement meeting the requirements of section 408B of the Internal Revenue Code of 1986. Nothing in such amendments shall be construed to impair or supersede any State law to the extent it provides a remedy for the failure to make payroll deposit payments under any such automatic IRA arrangement within the period required under such section 408B.

(l) **Effective Date.**—The amendments made by this section shall apply to calendar years beginning after December 31, 2013.
SEC. 3. CREDIT FOR SMALL EMPLOYERS MAINTAINING AUTOMATIC IRA ARRANGEMENTS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

"SEC. 45S. SMALL EMPLOYER AUTOMATIC IRA ARRANGEMENT.

"(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer maintaining an automatic IRA arrangement meeting the requirements of section 408B (without regard to whether the employer is required to maintain the arrangement), the small employer automatic IRA arrangement credit determined under this section for any taxable year is the amount determined under subsection (b).

"(b) AMOUNT OF CREDIT.—

"(1) IN GENERAL.—The amount of the credit determined under this section for any taxable year with respect to an eligible employer shall be the sum of—

"(A) $25 multiplied by the number of qualifying employees (within the meaning of section 408B(e)) for whom contributions are made under the automatic IRA arrangement re-
ferred to in subsection (a) for the calendar year
in which the taxable year begins, plus

“(B) $500 for the taxable year which be-
gins in the first calendar year, and $250 for the
taxable year which begins in the second cal-
endar year, in which the eligible employer main-
tains an automatic IRA arrangement meeting
the requirements of section 408B.

“(2) LIMITATION.—No more than 10 qualifying
employees may be taken into account under para-
graph (1)(A) for a taxable year.

“(3) DURATION OF CREDIT.—The credit de-
scribed in paragraph (1)(A) shall apply only for a
taxable year which begins in the first 6 calendar
years in which the eligible employer maintains an
automatic IRA arrangement meeting the require-
ments of section 408B.

“(4) COORDINATION WITH SMALL EMPLOYER
STARTUP CREDIT.—

“(A) No credit shall be allowed under this
section to the employer for any taxable year if
a credit is determined under section 45E with
respect to the employer for the taxable year.

“(B) If the eligible employer maintains an
automatic IRA arrangement meeting the re-
requirements of section 408B with respect to any
of the first three calendar years for which the
employer could adopt such an arrangement and
subsequently adopts an eligible employer plan
for its employees for any of those years which
it maintains for such third taxable year, then
section 45E(b)(1) shall be applied with respect
to the eligible employer by replacing ‘2 taxable
years’ with ‘3 taxable years’.

“(c) ELIGIBLE EMPLOYER.—For purposes of this
section, the term ‘eligible employer’ means, with respect
to any calendar year in which the taxable year begins, an
employer which—

“(1) maintains an automatic IRA arrangement
meeting the requirements of section 408B,

“(2) on each day during the preceding calendar
year, had no more than 100 employees, and

“(3) did not maintain a qualifying plan or ar-
angement (described in section 408B(b)) during the
portion of the calendar year preceding the adoption
of the automatic IRA arrangement and the 2 pre-
ceding calendar years.

“(d) OTHER RULES.—For purposes of this section,
the rules of section 45E(c) shall apply.”.
(b) Credit Allowed as Part of General Business Credit.—Section 38(b) (defining current year business credit) is amended by striking “plus” at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting “, plus”, and by adding at the end the following new paragraph:

“(37) in the case of an eligible employer (as defined in section 45S(c)) maintaining an automatic IRA arrangement meeting the requirements of section 408B, the small employer automatic IRA arrangement credit determined under section 45S(a).”.

(c) Clerical Amendment.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

“Sec. 45S. Small employer automatic IRA arrangement.”.

(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2013.

SEC. 4. STUDIES.

(a) In General.—The Secretary of the Treasury and the Secretary of Labor shall jointly conduct a separate study of the feasibility and desirability of each of the following:

(1) Extending to automatic IRA arrangements spousal consent requirements similar to, or based on, those that apply under the Federal Employees’
Thrift Savings Plan, including consideration of whether modifications of such requirements are necessary to apply them to automatic IRA arrangements.

(2) Promoting the use of low-cost annuities, longevity insurance, or other guaranteed lifetime income arrangements in automatic IRA arrangements, including consideration of—

(A) appropriate means of arranging for, or encouraging, individuals to receive at least a portion of their distributions in some form of low-cost guaranteed lifetime income, and

(B) issues presented by possible additional differences in, or uniformity of, provisions governing different individual retirement arrangements.

(3) Establishing procedures under which amounts saved by employees in retirement bonds would be automatically transferred into alternative diversified investments provided by the private sector when employees’ automatic IRA balances reach a certain dollar level as well as procedures facilitating employees’ ability to transfer into such private sector investments.
(b) Study of Consolidation of Individual Retirement Plans.—The Secretary of the Treasury and the Secretary of Labor shall jointly conduct a separate study of the feasibility and desirability of—

(1) using data submitted on investments in individual retirement accounts and annuities to enable individuals with multiple such accounts and annuities that include very small amounts to receive periodic notices informing them about the location of these accounts and how such accounts and annuities might be consolidated, and

(2) using investment arrangements associated with automatic IRAs to assist in addressing the problem of abandoned accounts.

(c) Report.—Not later than 18 months after the date of the enactment of this Act, the Secretaries shall report the results of each study conducted under this section, together with any recommendations for legislative changes, to the Committees on Finance and Health, Education, Labor, and Pensions of the Senate and the Committees on Ways and Means and Education and the Workforce of the House of Representatives.