

115TH CONGRESS
2D SESSION

H. R. 6757

To amend the Internal Revenue Code of 1986 to encourage retirement and family savings, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 2018

Mr. KELLY of Pennsylvania (for himself, Mr. BRADY of Texas, Mr. SAM JOHNSON of Texas, Mr. NUNES, Mr. REICHERT, Mr. ROSKAM, Mr. BUCHANAN, Mr. SMITH of Nebraska, Ms. JENKINS of Kansas, Mr. PAULSEN, Mr. MARCHANT, Mrs. BLACK, Mr. REED, Mr. RENACCI, Mrs. NOEM, Mr. HOLDING, Mr. SMITH of Missouri, Mr. RICE of South Carolina, Mr. SCHWEIKERT, Mrs. WALORSKI, Mr. CURBELO of Florida, Mr. BISHOP of Michigan, Mr. LAHOOD, Mr. WENSTRUP, and Mr. MITCHELL) 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 encourage retirement and family savings, 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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the

5 “Family Savings Act of 2018”.

1 (b) TABLE OF CONTENTS.—The table of contents for
 2 this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—EXPANDING AND PRESERVING RETIREMENT SAVINGS

Sec. 101. Multiple employer plans; pooled employer plans.

Sec. 102. Rules relating to election of safe harbor 401(k) status.

Sec. 103. Certain taxable non-tuition fellowship and stipend payments treated as compensation for IRA purposes.

Sec. 104. Repeal of maximum age for traditional IRA contributions.

Sec. 105. Qualified employer plans prohibited from making loans through credit cards and other similar arrangements.

Sec. 106. Portability of lifetime income investments.

Sec. 107. Treatment of custodial accounts on termination of section 403(b) plans.

Sec. 108. Clarification of retirement income account rules relating to church-controlled organizations.

Sec. 109. Exemption from required minimum distribution rules for individuals with certain account balances.

Sec. 110. Clarification of treatment of certain retirement plan contributions picked up by governmental employers for new or existing employees.

Sec. 111. Elective deferrals by members of the Ready Reserve of a reserve component of the Armed Forces.

TITLE II—ADMINISTRATIVE IMPROVEMENTS

Sec. 201. Plan adopted by filing due date for year may be treated as in effect as of close of year.

Sec. 202. Modification of nondiscrimination rules to protect older, longer service participants.

Sec. 203. Study of appropriate PBGC premiums.

TITLE III—OTHER SAVINGS PROVISIONS

Sec. 301. Universal Savings Accounts.

Sec. 302. Expansion of section 529 plans.

Sec. 303. Penalty-free withdrawals from retirement plans for individuals in case of birth of child or adoption.

3 **TITLE I—EXPANDING AND PRE-**
 4 **SERVING RETIREMENT SAV-**
 5 **INGS**

6 **SEC. 101. MULTIPLE EMPLOYER PLANS; POOLED EM-**
 7 **PLOYER PLANS.**

8 (a) QUALIFICATION REQUIREMENTS.—

1 (1) IN GENERAL.—Section 413 of the Internal
2 Revenue Code of 1986 is amended by adding at the
3 end the following new subsection:

4 “(e) APPLICATION OF QUALIFICATION REQUIRE-
5 MENTS FOR CERTAIN MULTIPLE EMPLOYER PLANS WITH
6 POOLED PLAN PROVIDERS.—

7 “(1) IN GENERAL.—Except as provided in para-
8 graph (2), if a defined contribution plan to which
9 subsection (c) applies—

10 “(A) is maintained by employers which
11 have a common interest other than having
12 adopted the plan, or

13 “(B) in the case of a plan not described in
14 subparagraph (A), has a pooled plan provider,
15 then the plan shall not be treated as failing to meet
16 the requirements under this title applicable to a plan
17 described in section 401(a) or to a plan that consists
18 of individual retirement accounts described in sec-
19 tion 408 (including by reason of subsection (c)
20 thereof), whichever is applicable, merely because one
21 or more employers of employees covered by the plan
22 fail to take such actions as are required of such em-
23 ployers for the plan to meet such requirements.

24 “(2) LIMITATIONS.—

1 “(A) IN GENERAL.—Paragraph (1) shall
2 not apply to any plan unless the terms of the
3 plan provide that in the case of any employer
4 in the plan failing to take the actions described
5 in paragraph (1)—

6 “(i) the assets of the plan attributable
7 to employees of such employer (or bene-
8 ficiaries of such employees) will be trans-
9 ferred to a plan maintained only by such
10 employer (or its successor), to an eligible
11 retirement plan as defined in section
12 402(c)(8)(B) for each individual whose ac-
13 count is transferred, or to any other ar-
14 rangement that the Secretary determines is
15 appropriate, unless the Secretary deter-
16 mines it is in the best interests of the em-
17 ployees of such employer (and the bene-
18 ficiaries of such employees) to retain the
19 assets in the plan, and

20 “(ii) such employer (and not the plan
21 with respect to which the failure occurred
22 or any other employer in such plan) shall,
23 except to the extent provided by the Sec-
24 retary, be liable for any liabilities with re-
25 spect to such plan attributable to employ-

1 ees of such employer (or beneficiaries of
2 such employees).

3 “(B) FAILURES BY POOLED PLAN PRO-
4 VIDERS.—If the pooled plan provider of a plan
5 described in paragraph (1)(B) does not perform
6 substantially all of the administrative duties
7 which are required of the provider under para-
8 graph (3)(A)(i) for any plan year, the Secretary
9 may provide that the determination as to
10 whether the plan meets the requirements under
11 this title applicable to a plan described in sec-
12 tion 401(a) or to a plan that consists of indi-
13 vidual retirement accounts described in section
14 408 (including by reason of subsection (c)
15 thereof), whichever is applicable, shall be made
16 in the same manner as would be made without
17 regard to paragraph (1).

18 “(3) POOLED PLAN PROVIDER.—

19 “(A) IN GENERAL.—For purposes of this
20 subsection, the term ‘pooled plan provider’
21 means, with respect to any plan, a person
22 who—

23 “(i) is designated by the terms of the
24 plan as a named fiduciary (within the
25 meaning of section 402(a)(2) of the Em-

1 ployee Retirement Income Security Act of
2 1974), as the plan administrator, and as
3 the person responsible to perform all ad-
4 ministrative duties (including conducting
5 proper testing with respect to the plan and
6 the employees of each employer in the
7 plan) which are reasonably necessary to
8 ensure that—

9 “(I) the plan meets any require-
10 ment applicable under the Employee
11 Retirement Income Security Act of
12 1974 or this title to a plan described
13 in section 401(a) or to a plan that
14 consists of individual retirement ac-
15 counts described in section 408 (in-
16 cluding by reason of subsection (c)
17 thereof), whichever is applicable, and

18 “(II) each employer in the plan
19 takes such actions as the Secretary or
20 such person determines are necessary
21 for the plan to meet the requirements
22 described in subclause (I), including
23 providing to such person any disclo-
24 sures or other information which the
25 Secretary may require or which such

1 person otherwise determines are nec-
2 essary to administer the plan or to
3 allow the plan to meet such require-
4 ments,

5 “(ii) registers as a pooled plan pro-
6 vider with the Secretary, and provides such
7 other information to the Secretary as the
8 Secretary may require, before beginning
9 operations as a pooled plan provider,

10 “(iii) acknowledges in writing that
11 such person is a named fiduciary (within
12 the meaning of section 402(a)(2) of the
13 Employee Retirement Income Security Act
14 of 1974), and the plan administrator, with
15 respect to the plan, and

16 “(iv) is responsible for ensuring that
17 all persons who handle assets of, or who
18 are fiduciaries of, the plan are bonded in
19 accordance with section 412 of the Em-
20 ployee Retirement Income Security Act of
21 1974.

22 “(B) AUDITS, EXAMINATIONS AND INVES-
23 TIGATIONS.—The Secretary may perform au-
24 dits, examinations, and investigations of pooled

1 plan providers as may be necessary to enforce
2 and carry out the purposes of this subsection.

3 “(C) AGGREGATION RULES.—For purposes
4 of this paragraph, in determining whether a
5 person meets the requirements of this para-
6 graph to be a pooled plan provider with respect
7 to any plan, all persons who perform services
8 for the plan and who are treated as a single
9 employer under subsection (b), (c), (m), or (o)
10 of section 414 shall be treated as one person.

11 “(D) TREATMENT OF EMPLOYERS AS PLAN
12 SPONSORS.—Except with respect to the admin-
13 istrative duties of the pooled plan provider de-
14 scribed in subparagraph (A)(i), each employer
15 in a plan which has a pooled plan provider shall
16 be treated as the plan sponsor with respect to
17 the portion of the plan attributable to employ-
18 ees of such employer (or beneficiaries of such
19 employees).

20 “(4) GUIDANCE.—The Secretary shall issue
21 such guidance as the Secretary determines appro-
22 priate to carry out this subsection, including guid-
23 ance—

1 “(A) to identify the administrative duties
2 and other actions required to be performed by
3 a pooled plan provider under this subsection,

4 “(B) which describes the procedures to be
5 taken to terminate a plan which fails to meet
6 the requirements to be a plan described in para-
7 graph (1), including the proper treatment of,
8 and actions needed to be taken by, any em-
9 ployer in the plan and the assets and liabilities
10 of the plan attributable to employees of such
11 employer (or beneficiaries of such employees),
12 and

13 “(C) identifying appropriate cases to which
14 the rules of paragraph (2)(A) will apply to em-
15 ployers in the plan failing to take the actions
16 described in paragraph (1).

17 The Secretary shall take into account under sub-
18 paragraph (C) whether the failure of an employer or
19 pooled plan provider to provide any disclosures or
20 other information, or to take any other action, nec-
21 essary to administer a plan or to allow a plan to
22 meet requirements applicable to the plan under sec-
23 tion 401(a) or 408, whichever is applicable, has con-
24 tinued over a period of time that demonstrates a
25 lack of commitment to compliance.

1 “(5) MODEL PLAN.—The Secretary shall pub-
2 lish model plan language which meets the require-
3 ments of this subsection and of paragraphs (43) and
4 (44) of section 3 of the Employee Retirement In-
5 come Security Act of 1974 and which may be adopt-
6 ed in order for a plan to be treated as a plan de-
7 scribed in paragraph (1)(B).”.

8 (2) CONFORMING AMENDMENT.—Section
9 413(c)(2) of such Code is amended by striking “sec-
10 tion 401(a)” and inserting “sections 401(a) and
11 408(c)”.

12 (3) TECHNICAL AMENDMENT.—Section 408(c)
13 of such Code is amended by inserting after para-
14 graph (2) the following new paragraph:

15 “(3) There is a separate accounting for any in-
16 terest of an employee or member (or spouse of an
17 employee or member) in a Roth IRA.”.

18 (b) NO COMMON INTEREST REQUIRED FOR POOLED
19 EMPLOYER PLANS.—Section 3(2) of the Employee Retire-
20 ment Income Security Act of 1974 (29 U.S.C. 1002(2))
21 is amended by adding at the end the following:

22 “(C) A pooled employer plan shall be treat-
23 ed as—

24 “(i) a single employee pension benefit
25 plan or single pension plan; and

1 “(ii) a plan to which section 210(a)
2 applies.”.

3 (c) POOLED EMPLOYER PLAN AND PROVIDER DE-
4 FINED.—

5 (1) IN GENERAL.—Section 3 of the Employee
6 Retirement Income Security Act of 1974 (29 U.S.C.
7 1002) is amended by adding at the end the fol-
8 lowing:

9 “(43) POOLED EMPLOYER PLAN.—

10 “(A) IN GENERAL.—The term ‘pooled em-
11 ployer plan’ means a plan—

12 “(i) which is an individual account
13 plan established or maintained for the pur-
14 pose of providing benefits to the employees
15 of 2 or more employers;

16 “(ii) which is a plan described in sec-
17 tion 401(a) of the Internal Revenue Code
18 of 1986 which includes a trust exempt
19 from tax under section 501(a) of such
20 Code or a plan that consists of individual
21 retirement accounts described in section
22 408 of such Code (including by reason of
23 subsection (c) thereof); and

24 “(iii) the terms of which meet the re-
25 quirements of subparagraph (B).

1 Such term shall not include a plan maintained
2 by employers which have a common interest
3 other than having adopted the plan.

4 “(B) REQUIREMENTS FOR PLAN TERMS.—
5 The requirements of this subparagraph are met
6 with respect to any plan if the terms of the
7 plan—

8 “(i) designate a pooled plan provider
9 and provide that the pooled plan provider
10 is a named fiduciary of the plan;

11 “(ii) designate one or more trustees
12 meeting the requirements of section
13 408(a)(2) of the Internal Revenue Code of
14 1986 (other than an employer in the plan)
15 to be responsible for collecting contribu-
16 tions to, and holding the assets of, the
17 plan and require such trustees to imple-
18 ment written contribution collection proce-
19 dures that are reasonable, diligent, and
20 systematic;

21 “(iii) provide that each employer in
22 the plan retains fiduciary responsibility
23 for—

24 “(I) the selection and monitoring
25 in accordance with section 404(a) of

1 the person designated as the pooled
2 plan provider and any other person
3 who, in addition to the pooled plan
4 provider, is designated as a named fi-
5 duciary of the plan; and

6 “(II) to the extent not otherwise
7 delegated to another fiduciary by the
8 pooled plan provider and subject to
9 the provisions of section 404(c), the
10 investment and management of the
11 portion of the plan’s assets attrib-
12 utable to the employees of the em-
13 ployer (or beneficiaries of such em-
14 ployees);

15 “(iv) provide that employers in the
16 plan, and participants and beneficiaries,
17 are not subject to unreasonable restric-
18 tions, fees, or penalties with regard to
19 ceasing participation, receipt of distribu-
20 tions, or otherwise transferring assets of
21 the plan in accordance with section 208 or
22 paragraph (44)(C)(i)(II);

23 “(v) require—

24 “(I) the pooled plan provider to
25 provide to employers in the plan any

1 disclosures or other information which
2 the Secretary may require, including
3 any disclosures or other information
4 to facilitate the selection or any moni-
5 toring of the pooled plan provider by
6 employers in the plan; and

7 “(II) each employer in the plan
8 to take such actions as the Secretary
9 or the pooled plan provider determines
10 are necessary to administer the plan
11 or for the plan to meet any require-
12 ment applicable under this Act or the
13 Internal Revenue Code of 1986 to a
14 plan described in section 401(a) of
15 such Code or to a plan that consists
16 of individual retirement accounts de-
17 scribed in section 408 of such Code
18 (including by reason of subsection (c)
19 thereof), whichever is applicable, in-
20 cluding providing any disclosures or
21 other information which the Secretary
22 may require or which the pooled plan
23 provider otherwise determines are nec-
24 essary to administer the plan or to

1 allow the plan to meet such require-
2 ments; and

3 “(vi) provide that any disclosure or
4 other information required to be provided
5 under clause (v) may be provided in elec-
6 tronic form and will be designed to ensure
7 only reasonable costs are imposed on
8 pooled plan providers and employers in the
9 plan.

10 “(C) EXCEPTIONS.—The term ‘pooled em-
11 ployer plan’ does not include—

12 “(i) a multiemployer plan; or

13 “(ii) a plan established before the
14 date of the enactment of the Family Sav-
15 ings Act of 2018 unless the plan adminis-
16 trator elects that the plan will be treated
17 as a pooled employer plan and the plan
18 meets the requirements of this title appli-
19 cable to a pooled employer plan established
20 on or after such date.

21 “(D) TREATMENT OF EMPLOYERS AS PLAN
22 SPONSORS.—Except with respect to the admin-
23 istrative duties of the pooled plan provider de-
24 scribed in paragraph (44)(A)(i), each employer
25 in a pooled employer plan shall be treated as

1 the plan sponsor with respect to the portion of
2 the plan attributable to employees of such em-
3 ployer (or beneficiaries of such employees).

4 “(44) POOLED PLAN PROVIDER.—

5 “(A) IN GENERAL.—The term ‘pooled plan
6 provider’ means a person who—

7 “(i) is designated by the terms of a
8 pooled employer plan as a named fiduciary,
9 as the plan administrator, and as the per-
10 son responsible for the performance of all
11 administrative duties (including conducting
12 proper testing with respect to the plan and
13 the employees of each employer in the
14 plan) which are reasonably necessary to
15 ensure that—

16 “(I) the plan meets any require-
17 ment applicable under this Act or the
18 Internal Revenue Code of 1986 to a
19 plan described in section 401(a) of
20 such Code or to a plan that consists
21 of individual retirement accounts de-
22 scribed in section 408 of such Code
23 (including by reason of subsection (c)
24 thereof), whichever is applicable; and

1 “(II) each employer in the plan
2 takes such actions as the Secretary or
3 pooled plan provider determines are
4 necessary for the plan to meet the re-
5 quirements described in subclause (I),
6 including providing the disclosures
7 and information described in para-
8 graph (43)(B)(v)(II);

9 “(ii) registers as a pooled plan pro-
10 vider with the Secretary, and provides to
11 the Secretary such other information as
12 the Secretary may require, before begin-
13 ning operations as a pooled plan provider;

14 “(iii) acknowledges in writing that
15 such person is a named fiduciary, and the
16 plan administrator, with respect to the
17 pooled employer plan; and

18 “(iv) is responsible for ensuring that
19 all persons who handle assets of, or who
20 are fiduciaries of, the pooled employer plan
21 are bonded in accordance with section 412.

22 “(B) AUDITS, EXAMINATIONS AND INVES-
23 TIGATIONS.—The Secretary may perform au-
24 dits, examinations, and investigations of pooled
25 plan providers as may be necessary to enforce

1 and carry out the purposes of this paragraph
2 and paragraph (43).

3 “(C) GUIDANCE.—The Secretary shall
4 issue such guidance as the Secretary determines
5 appropriate to carry out this paragraph and
6 paragraph (43), including guidance—

7 “(i) to identify the administrative du-
8 ties and other actions required to be per-
9 formed by a pooled plan provider under ei-
10 ther such paragraph; and

11 “(ii) which requires in appropriate
12 cases that if an employer in the plan fails
13 to take the actions required under sub-
14 paragraph (A)(i)(II)—

15 “(I) the assets of the plan attrib-
16 utable to employees of such employer
17 (or beneficiaries of such employees)
18 are transferred to a plan maintained
19 only by such employer (or its suc-
20 cessor), to an eligible retirement plan
21 as defined in section 402(c)(8)(B) of
22 the Internal Revenue Code of 1986
23 for each individual whose account is
24 transferred, or to any other arrange-

1 ment that the Secretary determines is
2 appropriate in such guidance; and

3 “(II) such employer (and not the
4 plan with respect to which the failure
5 occurred or any other employer in
6 such plan) shall, except to the extent
7 provided in such guidance, be liable
8 for any liabilities with respect to such
9 plan attributable to employees of such
10 employer (or beneficiaries of such em-
11 ployees).

12 The Secretary shall take into account under
13 clause (ii) whether the failure of an employer or
14 pooled plan provider to provide any disclosures
15 or other information, or to take any other ac-
16 tion, necessary to administer a plan or to allow
17 a plan to meet requirements described in sub-
18 paragraph (A)(i)(II) has continued over a pe-
19 riod of time that demonstrates a lack of com-
20 mitment to compliance. The Secretary may
21 waive the requirements of subclause (ii)(I) in
22 appropriate circumstances if the Secretary de-
23 termines it is in the best interests of the em-
24 ployees of the employer referred to in such
25 clause (and the beneficiaries of such employees)

1 to retain the assets in the plan with respect to
2 which the employer's failure occurred.

3 “(D) AGGREGATION RULES.—For purposes
4 of this paragraph, in determining whether a
5 person meets the requirements of this para-
6 graph to be a pooled plan provider with respect
7 to any plan, all persons who perform services
8 for the plan and who are treated as a single
9 employer under subsection (b), (c), (m), or (o)
10 of section 414 of the Internal Revenue Code of
11 1986 shall be treated as one person.”.

12 (2) BONDING REQUIREMENTS FOR POOLED EM-
13 PLOYER PLANS.—The last sentence of section 412(a)
14 of the Employee Retirement Income Security Act of
15 1974 (29 U.S.C. 1112(a)) is amended by inserting
16 “or in the case of a pooled employer plan (as defined
17 in section 3(43))” after “section 407(d)(1))”.

18 (3) CONFORMING AND TECHNICAL AMEND-
19 MENTS.—Section 3 of the Employee Retirement In-
20 come Security Act of 1974 (29 U.S.C. 1002) is
21 amended—

22 (A) in paragraph (16)(B)—

23 (i) by striking “or” at the end of
24 clause (ii); and

1 (ii) by striking the period at the end
2 and inserting “, or (iv) in the case of a
3 pooled employer plan, the pooled plan pro-
4 vider.”; and

5 (B) by striking the second paragraph (41).

6 (d) POOLED EMPLOYER AND MULTIPLE EMPLOYER
7 PLAN REPORTING.—

8 (1) ADDITIONAL INFORMATION.—Section 103
9 of the Employee Retirement Income Security Act of
10 1974 (29 U.S.C. 1023) is amended—

11 (A) in subsection (a)(1)(B), by striking
12 “applicable subsections (d), (e), and (f)” and
13 inserting “applicable subsections (d), (e), (f),
14 and (g)”; and

15 (B) by amending subsection (g) to read as
16 follows:

17 “(g) ADDITIONAL INFORMATION WITH RESPECT TO
18 POOLED EMPLOYER AND MULTIPLE EMPLOYER
19 PLANS.—An annual report under this section for a plan
20 year shall include—

21 “(1) with respect to any plan to which section
22 210(a) applies (including a pooled employer plan), a
23 list of employers in the plan, a good faith estimate
24 of the percentage of total contributions made by
25 such employers during the plan year, and the aggre-

1 gate account balances attributable to each employer
2 in the plan (determined as the sum of the account
3 balances of the employees of such employer (and the
4 beneficiaries of such employees)); and

5 “(2) with respect to a pooled employer plan, the
6 identifying information for the person designated
7 under the terms of the plan as the pooled plan pro-
8 vider.”.

9 (2) SIMPLIFIED ANNUAL REPORTS.—Section
10 104(a) of the Employee Retirement Income Security
11 Act of 1974 (29 U.S.C. 1024(a)) is amended by
12 striking paragraph (2)(A) and inserting the fol-
13 lowing:

14 “(2)(A) With respect to annual reports required
15 to be filed with the Secretary under this part, the
16 Secretary may by regulation prescribe simplified an-
17 nual reports for any pension plan that—

18 “(i) covers fewer than 100 participants; or

19 “(ii) is a plan described in section 210(a)
20 that covers fewer than 1,000 participants, but
21 only if no single employer in the plan has 100
22 or more participants covered by the plan.”.

23 (e) EFFECTIVE DATE.—

1 (1) IN GENERAL.—The amendments made by
2 this section shall apply to plan years beginning after
3 December 31, 2019.

4 (2) RULE OF CONSTRUCTION.—Nothing in the
5 amendments made by subsection (a) shall be con-
6 strued as limiting the authority of the Secretary of
7 the Treasury or the Secretary’s delegate (determined
8 without regard to such amendments) to provide for
9 the proper treatment of a failure to meet any re-
10 quirement applicable under the Internal Revenue
11 Code of 1986 with respect to one employer (and its
12 employees) in a multiple employer plan.

13 **SEC. 102. RULES RELATING TO ELECTION OF SAFE HARBOR**
14 **401(k) STATUS.**

15 (a) LIMITATION OF ANNUAL SAFE HARBOR NOTICE
16 TO MATCHING CONTRIBUTION PLANS.—

17 (1) IN GENERAL.—Section 401(k)(12)(A) of the
18 Internal Revenue Code of 1986 is amended by strik-
19 ing “if such arrangement” and all that follows and
20 inserting “if such arrangement—

21 “(i) meets the contribution require-
22 ments of subparagraph (B) and the notice
23 requirements of subparagraph (D), or

24 “(ii) meets the contribution require-
25 ments of subparagraph (C).”.

1 (2) AUTOMATIC CONTRIBUTION ARRANGE-
2 MENTS.—Section 401(k)(13)(B) of such Code is
3 amended by striking “means” and all that follows
4 and inserting “means a cash or deferred arrange-
5 ment—

6 “(i) which is described in subpara-
7 graph (D)(i)(I) and meets the applicable
8 requirements of subparagraphs (C)
9 through (E), or

10 “(ii) which is described in subpara-
11 graph (D)(i)(II) and meets the applicable
12 requirements of subparagraphs (C) and
13 (D).”.

14 (b) NONELECTIVE CONTRIBUTIONS.—Section
15 401(k)(12) of such Code is amended by redesignating sub-
16 paragraph (F) as subparagraph (G), and by inserting
17 after subparagraph (E) the following new subparagraph:

18 “(F) TIMING OF PLAN AMENDMENT FOR
19 EMPLOYER MAKING NONELECTIVE CONTRIBU-
20 TIONS.—

21 “(i) IN GENERAL.—Except as pro-
22 vided in clause (ii), a plan may be amend-
23 ed after the beginning of a plan year to
24 provide that the requirements of subpara-
25 graph (C) shall apply to the arrangement

1 for the plan year, but only if the amend-
2 ment is adopted—

3 “(I) at any time before the 30th
4 day before the close of the plan year,
5 or

6 “(II) at any time before the last
7 day under paragraph (8)(A) for dis-
8 tributing excess contributions for the
9 plan year.

10 “(ii) EXCEPTION WHERE PLAN PRO-
11 VIDED FOR MATCHING CONTRIBUTIONS.—
12 Clause (i) shall not apply to any plan year
13 if the plan provided at any time during the
14 plan year that the requirements of sub-
15 paragraph (B) or paragraph (13)(D)(i)(I)
16 applied to the plan year.

17 “(iii) 4-PERCENT CONTRIBUTION RE-
18 QUIREMENT.—Clause (i)(II) shall not
19 apply to an arrangement unless the
20 amount of the contributions described in
21 subparagraph (C) which the employer is
22 required to make under the arrangement
23 for the plan year with respect to any em-
24 ployee is an amount equal to at least 4
25 percent of the employee’s compensation.”.

1 (c) AUTOMATIC CONTRIBUTION ARRANGEMENTS.—
2 Section 401(k)(13) of such Code is amended by adding
3 at the end the following:

4 “(F) TIMING OF PLAN AMENDMENT FOR
5 EMPLOYER MAKING NONELECTIVE CONTRIBU-
6 TIONS.—

7 “(i) IN GENERAL.—Except as pro-
8 vided in clause (ii), a plan may be amend-
9 ed after the beginning of a plan year to
10 provide that the requirements of subpara-
11 graph (D)(i)(II) shall apply to the arrange-
12 ment for the plan year, but only if the
13 amendment is adopted—

14 “(I) at any time before the 30th
15 day before the close of the plan year,
16 or

17 “(II) at any time before the last
18 day under paragraph (8)(A) for dis-
19 tributing excess contributions for the
20 plan year.

21 “(ii) EXCEPTION WHERE PLAN PRO-
22 VIDED FOR MATCHING CONTRIBUTIONS.—
23 Clause (i) shall not apply to any plan year
24 if the plan provided at any time during the
25 plan year that the requirements of sub-

1 paragraph (D)(i)(I) or paragraph (12)(B)
2 applied to the plan year.

3 “(iii) 4-PERCENT CONTRIBUTION RE-
4 QUIREMENT.—Clause (i)(II) shall not
5 apply to an arrangement unless the
6 amount of the contributions described in
7 subparagraph (D)(i)(II) which the em-
8 ployer is required to make under the ar-
9 rangement for the plan year with respect
10 to any employee is an amount equal to at
11 least 4 percent of the employee’s com-
12 pensation.”.

13 (d) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to plan years beginning after De-
15 cember 31, 2018.

16 **SEC. 103. CERTAIN TAXABLE NON-TUITION FELLOWSHIP**
17 **AND STIPEND PAYMENTS TREATED AS COM-**
18 **PENSATION FOR IRA PURPOSES.**

19 (a) IN GENERAL.—Section 219(f)(1) of the Internal
20 Revenue Code of 1986 is amended by adding at the end
21 the following: “The term ‘compensation’ shall include any
22 amount included in gross income and paid to an individual
23 to aid the individual in the pursuit of graduate or
24 postdoctoral study.”.

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

4 **SEC. 104. REPEAL OF MAXIMUM AGE FOR TRADITIONAL IRA**
5 **CONTRIBUTIONS.**

6 (a) IN GENERAL.—Section 219(d) of the Internal
7 Revenue Code of 1986 is amended by striking paragraph
8 (1).

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

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

16 **SEC. 105. QUALIFIED EMPLOYER PLANS PROHIBITED FROM**
17 **MAKING LOANS THROUGH CREDIT CARDS**
18 **AND OTHER SIMILAR ARRANGEMENTS.**

19 (a) IN GENERAL.—Section 72(p)(2) of the Internal
20 Revenue Code of 1986 is amended by redesignating sub-
21 paragraph (D) as subparagraph (E) and by inserting after
22 subparagraph (C) the following new subparagraph:

23 “(D) PROHIBITION OF LOANS THROUGH
24 CREDIT CARDS AND OTHER SIMILAR ARRANGE-
25 MENTS.—Notwithstanding subparagraph (A),

1 paragraph (1) shall apply to any loan which is
2 made through the use of any credit card or any
3 other similar arrangement.”.

4 (b) EFFECTIVE DATE.—The amendments made by
5 subsection (a) shall apply to loans made after the date
6 of the enactment of this Act.

7 **SEC. 106. PORTABILITY OF LIFETIME INCOME INVEST-**
8 **MENTS.**

9 (a) IN GENERAL.—Section 401(a) of the Internal
10 Revenue Code of 1986 is amended by inserting after para-
11 graph (37) the following new paragraph:

12 “(38) PORTABILITY OF LIFETIME INCOME IN-
13 VESTMENTS.—

14 “(A) IN GENERAL.—Except as may be oth-
15 erwise provided by regulations, a trust forming
16 part of a defined contribution plan shall not be
17 treated as failing to constitute a qualified trust
18 under this section solely by reason of allowing—

19 “(i) qualified distributions of a life-
20 time income investment, or

21 “(ii) distributions of a lifetime income
22 investment in the form of a qualified plan
23 distribution annuity contract,

24 on or after the date that is 90 days prior to the
25 date on which such lifetime income investment

1 is no longer authorized to be held as an invest-
2 ment option under the plan.

3 “(B) DEFINITIONS.—For purposes of this
4 subsection—

5 “(i) the term ‘qualified distribution’
6 means a direct trustee-to-trustee transfer
7 described in paragraph (31)(A) to an eligi-
8 ble retirement plan (as defined in section
9 402(c)(8)(B)),

10 “(ii) the term ‘lifetime income invest-
11 ment’ means an investment option which is
12 designed to provide an employee with elec-
13 tion rights—

14 “(I) which are not uniformly
15 available with respect to other invest-
16 ment options under the plan, and

17 “(II) which are to a lifetime in-
18 come feature available through a con-
19 tract or other arrangement offered
20 under the plan (or under another eli-
21 gible retirement plan (as so defined),
22 if paid by means of a direct trustee-
23 to-trustee transfer described in para-
24 graph (31)(A) to such other eligible
25 retirement plan),

1 “(iii) the term ‘lifetime income fea-
2 ture’ means—

3 “(I) a feature which guarantees a
4 minimum level of income annually (or
5 more frequently) for at least the re-
6 mainder of the life of the employee or
7 the joint lives of the employee and the
8 employee’s designated beneficiary, or

9 “(II) an annuity payable on be-
10 half of the employee under which pay-
11 ments are made in substantially equal
12 periodic payments (not less frequently
13 than annually) over the life of the em-
14 ployee or the joint lives of the em-
15 ployee and the employee’s designated
16 beneficiary, and

17 “(iv) the term ‘qualified plan distribu-
18 tion annuity contract’ means an annuity
19 contract purchased for a participant and
20 distributed to the participant by a plan or
21 contract described in subparagraph (B) of
22 section 402(c)(8) (without regard to
23 clauses (i) and (ii) thereof).”.

24 (b) CASH OR DEFERRED ARRANGEMENT.—

1 (1) IN GENERAL.—Section 401(k)(2)(B)(i) of
2 such Code is amended by striking “or” at the end
3 of subclause (IV), by striking “and” at the end of
4 subclause (V) and inserting “or”, and by adding at
5 the end the following new subclause:

6 “(VI) except as may be otherwise
7 provided by regulations, with respect
8 to amounts invested in a lifetime in-
9 come investment (as defined in sub-
10 section (a)(38)(B)(ii)), the date that
11 is 90 days prior to the date that such
12 lifetime income investment may no
13 longer be held as an investment option
14 under the arrangement, and”.

15 (2) DISTRIBUTION REQUIREMENT.—Section
16 401(k)(2)(B) of such Code, as amended by para-
17 graph (1), is amended by striking “and” at the end
18 of clause (i), by striking the semicolon at the end of
19 clause (ii) and inserting “, and”, and by adding at
20 the end the following new clause:

21 “(iii) except as may be otherwise pro-
22 vided by regulations, in the case of
23 amounts described in clause (i)(VI), will be
24 distributed only in the form of a qualified
25 distribution (as defined in subsection

1 (a)(38)(B)(i)) or a qualified plan distribu-
2 tion annuity contract (as defined in sub-
3 section (a)(38)(B)(iv)),”.

4 (c) SECTION 403(b) PLANS.—

5 (1) ANNUITY CONTRACTS.—Section 403(b)(11)
6 of such Code is amended by striking “or” at the end
7 of subparagraph (B), by striking the period at the
8 end of subparagraph (C) and inserting “, or”, and
9 by inserting after subparagraph (C) the following
10 new subparagraph:

11 “(D) except as may be otherwise provided
12 by regulations, with respect to amounts invested
13 in a lifetime income investment (as defined in
14 section 401(a)(38)(B)(ii))—

15 “(i) on or after the date that is 90
16 days prior to the date that such lifetime
17 income investment may no longer be held
18 as an investment option under the con-
19 tract, and

20 “(ii) in the form of a qualified dis-
21 tribution (as defined in section
22 401(a)(38)(B)(i)) or a qualified plan dis-
23 tribution annuity contract (as defined in
24 section 401(a)(38)(B)(iv)).”.

1 (2) CUSTODIAL ACCOUNTS.—Section
2 403(b)(7)(A) of such Code is amended by striking
3 “if—” and all that follows and inserting “if the
4 amounts are to be invested in regulated investment
5 company stock to be held in that custodial account,
6 and under the custodial account—

7 “(i) no such amounts may be paid or
8 made available to any distributee (unless
9 such amount is a distribution to which sec-
10 tion 72(t)(2)(G) applies) before—

11 “(I) the employee dies,

12 “(II) the employee attains age
13 59½,

14 “(III) the employee has a sever-
15 ance from employment,

16 “(IV) the employee becomes dis-
17 abled (within the meaning of section
18 72(m)(7)),

19 “(V) in the case of contributions
20 made pursuant to a salary reduction
21 agreement (within the meaning of sec-
22 tion 3121(a)(5)(D)), the employee en-
23 counters financial hardship, or

24 “(VI) except as may be otherwise
25 provided by regulations, with respect

1 to amounts invested in a lifetime in-
2 come investment (as defined in section
3 401(a)(38)(B)(ii)), the date that is 90
4 days prior to the date that such life-
5 time income investment may no longer
6 be held as an investment option under
7 the contract, and

8 “(ii) in the case of amounts described
9 in clause (i)(VI), such amounts will be dis-
10 tributed only in the form of a qualified dis-
11 tribution (as defined in section
12 401(a)(38)(B)(i)) or a qualified plan dis-
13 tribution annuity contract (as defined in
14 section 401(a)(38)(B)(iv)).”.

15 (d) ELIGIBLE DEFERRED COMPENSATION PLANS.—

16 (1) IN GENERAL.—Section 457(d)(1)(A) of
17 such Code is amended by striking “or” at the end
18 of clause (ii), by inserting “or” at the end of clause
19 (iii), and by adding after clause (iii) the following:

20 “(iv) except as may be otherwise pro-
21 vided by regulations, in the case of a plan
22 maintained by an employer described in
23 subsection (e)(1)(A), with respect to
24 amounts invested in a lifetime income in-
25 vestment (as defined in section

1 401(a)(38)(B)(ii)), the date that is 90
2 days prior to the date that such lifetime
3 income investment may no longer be held
4 as an investment option under the plan.”.

5 (2) DISTRIBUTION REQUIREMENT.—Section
6 457(d)(1) of such Code is amended by striking
7 “and” at the end of subparagraph (B), by striking
8 the period at the end of subparagraph (C) and in-
9 serting “, and”, and by inserting after subparagraph
10 (C) the following new subparagraph:

11 “(D) except as may be otherwise provided
12 by regulations, in the case of amounts described
13 in subparagraph (A)(iv), such amounts will be
14 distributed only in the form of a qualified dis-
15 tribution (as defined in section
16 401(a)(38)(B)(i)) or a qualified plan distribu-
17 tion annuity contract (as defined in section
18 401(a)(38)(B)(iv)).”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to plan years beginning after De-
21 cember 31, 2018.

1 **SEC. 107. TREATMENT OF CUSTODIAL ACCOUNTS ON TER-**
2 **MINATION OF SECTION 403(b) PLANS.**

3 (a) IN GENERAL.—Section 403(b)(7) of the Internal
4 Revenue Code of 1986 is amended by adding at the end
5 the following:

6 “(D) TREATMENT OF CUSTODIAL AC-
7 COUNT UPON PLAN TERMINATION.—

8 “(i) IN GENERAL.—If—

9 “(I) an employer terminates the
10 plan under which amounts are con-
11 tributed to a custodial account under
12 subparagraph (A), and

13 “(II) the person holding the as-
14 sets of the account has demonstrated
15 to the satisfaction of the Secretary
16 under section 408(a)(2) that the per-
17 son is qualified to be a trustee of an
18 individual retirement plan,

19 then, as of the date of the termination, the
20 custodial account shall be deemed to be an
21 individual retirement plan for purposes of
22 this title.

23 “(ii) TREATMENT AS ROTH IRA.—Any
24 custodial account treated as an individual
25 retirement plan under clause (i) shall be

1 treated as a Roth IRA only if the custodial
2 account was a designated Roth account.”.

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to plan terminations occurring
5 after December 31, 2018.

6 **SEC. 108. CLARIFICATION OF RETIREMENT INCOME AC-**
7 **COUNT RULES RELATING TO CHURCH-CON-**
8 **TROLLED ORGANIZATIONS.**

9 (a) IN GENERAL.—Section 403(b)(9)(B) of the Inter-
10 nal Revenue Code of 1986 is amended by inserting “(in-
11 cluding an employee described in section 414(e)(3)(B))”
12 after “employee described in paragraph (1)”.

13 (b) EFFECTIVE DATE.—The amendment made by
14 this section shall apply to plan years beginning after De-
15 cember 31, 2008.

16 **SEC. 109. EXEMPTION FROM REQUIRED MINIMUM DIS-**
17 **TRIBUTION RULES FOR INDIVIDUALS WITH**
18 **CERTAIN ACCOUNT BALANCES.**

19 (a) IN GENERAL.—Section 401(a)(9) of the Internal
20 Revenue Code of 1986 is amended by adding at the end
21 the following new subparagraph:

22 “(H) EXCEPTION FROM REQUIRED MIN-
23 IMUM DISTRIBUTIONS DURING LIFE OF EM-
24 PLOYEE WHERE ASSETS DO NOT EXCEED
25 \$50,000.—

1 “(i) IN GENERAL.—If on the last day
2 of any calendar year the aggregate value of
3 an employee’s entire interest under all ap-
4 plicable eligible retirement plans does not
5 exceed \$50,000, then the requirements of
6 subparagraph (A) with respect to any dis-
7 tribution relating to such year shall not
8 apply with respect to such employee.

9 “(ii) APPLICABLE ELIGIBLE RETIRE-
10 MENT PLAN.—For purposes of this sub-
11 paragraph, the term ‘applicable eligible re-
12 tirement plan’ means an eligible retirement
13 plan (as defined in section 402(c)(8)(B))
14 other than a defined benefit plan.

15 “(iii) LIMIT ON REQUIRED MINIMUM
16 DISTRIBUTION.—The required minimum
17 distribution determined under subpara-
18 graph (A) for an employee under all appli-
19 cable eligible retirement plans shall not ex-
20 ceed an amount equal to the excess of—

21 “(I) the aggregate value of an
22 employee’s entire interest under such
23 plans on the last day of the calendar
24 year to which such distribution re-
25 lates, over

1 “(II) the dollar amount in effect
2 under clause (i) for such calendar
3 year.

4 The Secretary in regulations or other guid-
5 ance may provide how such amount shall
6 be distributed in the case of an individual
7 with more than one applicable eligible re-
8 tirement plan.

9 “(iv) INFLATION ADJUSTMENT.—In
10 the case of any calendar year beginning
11 after 2019, the \$50,000 amount in clause
12 (i) shall be increased by an amount equal
13 to—

14 “(I) such dollar amount, multi-
15 plied by

16 “(II) the cost of living adjust-
17 ment determined under section 1(f)(3)
18 for the calendar year, determined by
19 substituting ‘calendar year 2018’ for
20 ‘calendar year 2016’ in subparagraph
21 (A)(ii) thereof.

22 Any increase determined under this clause
23 shall be rounded to the next lowest mul-
24 tiple of \$5,000.

1 “(v) PLAN ADMINISTRATOR RELIANCE
2 ON EMPLOYEE CERTIFICATION.—An appli-
3 cable eligible retirement plan described in
4 clause (iii), (iv), (v), or (vi) of section
5 402(c)(8)(B) shall not be treated as failing
6 to meet the requirements of this paragraph
7 in the case of any failure to make a re-
8 quired minimum distribution for a cal-
9 endar year if—

10 “(I) the aggregate value of an
11 employee’s entire interest under all
12 applicable eligible retirement plans of
13 the employer on the last day of the
14 preceding calendar year does not ex-
15 ceed the amount in effect for such
16 year under clause (i), and

17 “(II) the employee certifies that
18 the aggregate value of the employee’s
19 entire interest under all applicable eli-
20 gible retirement plans on the last day
21 of the preceding calendar year did not
22 exceed the dollar amount in effect
23 under clause (i).

24 “(vi) AGGREGATION RULE.—All em-
25 ployers treated as a single employer under

1 subsection (b), (c), (m), or (o) of section
2 414 shall be treated as a single employer
3 for purposes of clause (v).”.

4 (b) PLAN ADMINISTRATOR REPORTING.—Section
5 6047 of such Code is amended by redesignating subsection
6 (g) as subsection (h) and by inserting after subsection (f)
7 the following new subsection:

8 “(g) ACCOUNT BALANCE FOR PARTICIPANTS WHO
9 HAVE ATTAINED AGE 69.—

10 “(1) IN GENERAL.—Not later than January 31
11 of each year, the plan administrator (as defined in
12 section 414(g)) of each applicable eligible retirement
13 plan (as defined in section 401(a)(9)(H)) shall make
14 a return to the Secretary with respect to each par-
15 ticipant of such plan who has attained age 69 as of
16 the end of the preceding calendar year which
17 states—

18 “(A) the name and plan number of the
19 plan,

20 “(B) the name and address of the plan ad-
21 ministrator,

22 “(C) the name, address, and taxpayer
23 identification number of the participant, and

1 “(D) the account balance of such partici-
2 pant as of the end of the preceding calendar
3 year.

4 “(2) STATEMENT FURNISHED TO PARTICI-
5 PANT.—Every person required to make a return
6 under paragraph (1) with respect to a participant
7 shall furnish a copy of such return to such partici-
8 pant.

9 “(3) APPLICATION TO INDIVIDUAL RETIREMENT
10 PLANS AND ANNUITIES.—In the case of an applica-
11 ble eligible retirement plan described in clause (i) or
12 (ii) of section 402(c)(8)(B)—

13 “(A) any reference in this subsection to
14 the plan administrator shall be treated as a ref-
15 erence to the trustee or issuer, as the case may
16 be, and

17 “(B) any reference in this subsection to
18 the participant shall be treated as a reference
19 to the individual for whom such account or an-
20 nuity is maintained.”.

21 (c) IN GENERAL.—The amendments made by this
22 section shall apply to distributions required to be made
23 in calendar years beginning more than 120 days after the
24 date of the enactment of this Act.

1 **SEC. 110. CLARIFICATION OF TREATMENT OF CERTAIN RE-**
2 **TIREMENT PLAN CONTRIBUTIONS PICKED UP**
3 **BY GOVERNMENTAL EMPLOYERS FOR NEW**
4 **OR EXISTING EMPLOYEES.**

5 (a) **IN GENERAL.**—Section 414(h)(2) of the Internal
6 Revenue Code of 1986 is amended—

7 (1) by striking “For purposes of paragraph
8 (1)” and inserting the following:

9 “(A) **IN GENERAL.**—For purposes of para-
10 graph (1)”, and

11 (2) by adding at the end the following new sub-
12 paragraph:

13 “(B) **TREATMENT OF ELECTIONS BE-**
14 **TWEEN ALTERNATIVE BENEFIT FORMULAS.**—
15 For purposes of subparagraph (A), a contribu-
16 tion shall not fail to be treated as picked up by
17 an employing unit merely because the employee
18 may make an irrevocable election between the
19 application of two alternative benefit formulas
20 involving the same or different levels of em-
21 ployee contributions.”.

22 (b) **EFFECTIVE DATE.**—The amendment made by
23 this section shall apply to plan years beginning after the
24 date of the enactment of this Act.

1 **SEC. 111. ELECTIVE DEFERRALS BY MEMBERS OF THE**
2 **READY RESERVE OF A RESERVE COMPONENT**
3 **OF THE ARMED FORCES.**

4 (a) IN GENERAL.—Section 402(g) of the Internal
5 Revenue Code of 1986 is amended by adding at the end
6 the following new paragraph:

7 “(9) ELECTIVE DEFERRALS BY MEMBERS OF
8 READY RESERVE.—

9 “(A) IN GENERAL.—In the case of a quali-
10 fied ready reservist for any taxable year, the
11 limitations of subparagraphs (A) and (C) of
12 paragraph (1) shall be applied separately with
13 respect to—

14 “(i) elective deferrals of such qualified
15 ready reservist with respect to compensa-
16 tion described in subparagraph (B), and

17 “(ii) all other elective deferrals of
18 such qualified ready reservist.

19 “(B) QUALIFIED READY RESERVIST.—For
20 purposes of this paragraph, the term ‘qualified
21 ready reservist’ means any individual for any
22 taxable year if such individual received com-
23 pensation for service as a member of the Ready
24 Reserve of a reserve component (as defined in
25 section 101 of title 37, United States Code)
26 during such taxable year.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to plan years beginning after De-
3 cember 31, 2018.

4 **TITLE II—ADMINISTRATIVE**
5 **IMPROVEMENTS**

6 **SEC. 201. PLAN ADOPTED BY FILING DUE DATE FOR YEAR**
7 **MAY BE TREATED AS IN EFFECT AS OF CLOSE**
8 **OF YEAR.**

9 (a) IN GENERAL.—Section 401(b) of the Internal
10 Revenue Code of 1986 is amended—

11 (1) by striking “RETROACTIVE CHANGES IN
12 PLAN.—A stock bonus” and inserting “PLAN
13 AMENDMENTS.—

14 “(1) CERTAIN RETROACTIVE CHANGES IN
15 PLAN.—A stock bonus”, and

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

18 “(2) ADOPTION OF PLAN.—If an employer
19 adopts a stock bonus, pension, profit-sharing, or an-
20 nuity plan after the close of a taxable year but be-
21 fore the time prescribed by law for filing the employ-
22 er’s return of tax for the taxable year (including ex-
23 tensions thereof), the employer may elect to treat
24 the plan as having been adopted as of the last day
25 of the taxable year.”.

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

4 **SEC. 202. MODIFICATION OF NONDISCRIMINATION RULES**
5 **TO PROTECT OLDER, LONGER SERVICE PAR-**
6 **TICIPANTS.**

7 (a) IN GENERAL.—Section 401 of the Internal Rev-
8 enue Code of 1986 is amended—

9 (1) by redesignating subsection (o) as sub-
10 section (p), and

11 (2) by inserting after subsection (n) the fol-
12 lowing new subsection:

13 “(o) SPECIAL RULES FOR APPLYING NON-
14 DISCRIMINATION RULES TO PROTECT OLDER, LONGER
15 SERVICE AND GRANDFATHERED PARTICIPANTS.—

16 “(1) TESTING OF DEFINED BENEFIT PLANS
17 WITH CLOSED CLASSES OF PARTICIPANTS.—

18 “(A) BENEFITS, RIGHTS, OR FEATURES
19 PROVIDED TO CLOSED CLASSES.—A defined
20 benefit plan which provides benefits, rights, or
21 features to a closed class of participants shall
22 not fail to satisfy the requirements of sub-
23 section (a)(4) by reason of the composition of
24 such closed class or the benefits, rights, or fea-
25 tures provided to such closed class, if—

1 “(i) for the plan year as of which the
2 class closes and the 2 succeeding plan
3 years, such benefits, rights, and features
4 satisfy the requirements of subsection
5 (a)(4) (without regard to this subpara-
6 graph but taking into account the rules of
7 subparagraph (I)),

8 “(ii) after the date as of which the
9 class was closed, any plan amendment
10 which modifies the closed class or the ben-
11 efits, rights, and features provided to such
12 closed class does not discriminate signifi-
13 cantly in favor of highly compensated em-
14 ployees, and

15 “(iii) the class was closed before April
16 5, 2017, or the plan is described in sub-
17 paragraph (C).

18 “(B) AGGREGATE TESTING WITH DEFINED
19 CONTRIBUTION PLANS PERMITTED ON A BENE-
20 FITS BASIS.—

21 “(i) IN GENERAL.—For purposes of
22 determining compliance with subsection
23 (a)(4) and section 410(b), a defined benefit
24 plan described in clause (iii) may be aggre-
25 gated and tested on a benefits basis with

1 or more defined contribution plans, including with the portion of 1 or more defined contribution plans which—

“(I) provides matching contributions (as defined in subsection (m)(4)(A)),

“(II) provides annuity contracts described in section 403(b) which are purchased with matching contributions or nonelective contributions, or

“(III) consists of an employee stock ownership plan (within the meaning of section 4975(e)(7)) or a tax credit employee stock ownership plan (within the meaning of section 409(a)).

“(ii) SPECIAL RULES FOR MATCHING CONTRIBUTIONS.—For purposes of clause (i), if a defined benefit plan is aggregated with a portion of a defined contribution plan providing matching contributions—

“(I) such defined benefit plan must also be aggregated with any portion of such defined contribution plan which provides elective deferrals de-

1 scribed in subparagraph (A) or (C) of
2 section 402(g)(3), and

3 “(II) such matching contribu-
4 tions shall be treated in the same
5 manner as nonelective contributions,
6 including for purposes of applying the
7 rules of subsection (l).

8 “(iii) PLANS DESCRIBED.—A defined
9 benefit plan is described in this clause if—

10 “(I) the plan provides benefits to
11 a closed class of participants,

12 “(II) for the plan year as of
13 which the class closes and the 2 suc-
14 ceeding plan years, the plan satisfies
15 the requirements of section 410(b)
16 and subsection (a)(4) (without regard
17 to this subparagraph but taking into
18 account the rules of subparagraph
19 (I)),

20 “(III) after the date as of which
21 the class was closed, any plan amend-
22 ment which modifies the closed class
23 or the benefits provided to such closed
24 class does not discriminate signifi-

1 cantly in favor of highly compensated
2 employees, and

3 “(IV) the class was closed before
4 April 5, 2017, or the plan is described
5 in subparagraph (C).

6 “(C) PLANS DESCRIBED.—A plan is de-
7 scribed in this subparagraph if, taking into ac-
8 count any predecessor plan—

9 “(i) such plan has been in effect for
10 at least 5 years as of the date the class is
11 closed, and

12 “(ii) during the 5-year period pre-
13 ceding the date the class is closed, there
14 has not been a substantial increase in the
15 coverage or value of the benefits, rights, or
16 features described in subparagraph (A) or
17 in the coverage or benefits under the plan
18 described in subparagraph (B)(iii) (which-
19 ever is applicable).

20 “(D) DETERMINATION OF SUBSTANTIAL
21 INCREASE FOR BENEFITS, RIGHTS, AND FEA-
22 TURES.—In applying subparagraph (C)(ii) for
23 purposes of subparagraph (A)(iii), a plan shall
24 be treated as having had a substantial increase
25 in coverage or value of the benefits, rights, or

1 features described in subparagraph (A) during
2 the applicable 5-year period only if, during such
3 period—

4 “(i) the number of participants cov-
5 ered by such benefits, rights, or features
6 on the date such period ends is more than
7 50 percent greater than the number of
8 such participants on the first day of the
9 plan year in which such period began, or

10 “(ii) such benefits, rights, and fea-
11 tures have been modified by 1 or more
12 plan amendments in such a way that, as of
13 the date the class is closed, the value of
14 such benefits, rights, and features to the
15 closed class as a whole is substantially
16 greater than the value as of the first day
17 of such 5-year period, solely as a result of
18 such amendments.

19 “(E) DETERMINATION OF SUBSTANTIAL
20 INCREASE FOR AGGREGATE TESTING ON BENE-
21 FITS BASIS.—In applying subparagraph (C)(ii)
22 for purposes of subparagraph (B)(iii)(IV), a
23 plan shall be treated as having had a substan-
24 tial increase in coverage or benefits during the

1 applicable 5-year period only if, during such pe-
2 riod—

3 “(i) the number of participants bene-
4 fitting under the plan on the date such pe-
5 riod ends is more than 50 percent greater
6 than the number of such participants on
7 the first day of the plan year in which such
8 period began, or

9 “(ii) the average benefit provided to
10 such participants on the date such period
11 ends is more than 50 percent greater than
12 the average benefit provided on the first
13 day of the plan year in which such period
14 began.

15 “(F) CERTAIN EMPLOYEES DIS-
16 REGARDED.—For purposes of subparagraphs
17 (D) and (E), any increase in coverage or value
18 or in coverage or benefits, whichever is applica-
19 ble, which is attributable to such coverage and
20 value or coverage and benefits provided to em-
21 ployees—

22 “(i) who became participants as a re-
23 sult of a merger, acquisition, or similar
24 event which occurred during the 7-year pe-

1 riod preceding the date the class is closed,
2 or

3 “(ii) who became participants by rea-
4 son of a merger of the plan with another
5 plan which had been in effect for at least
6 5 years as of the date of the merger,

7 shall be disregarded, except that clause (ii)
8 shall apply for purposes of subparagraph (D)
9 only if, under the merger, the benefits, rights,
10 or features under 1 plan are conformed to the
11 benefits, rights, or features of the other plan
12 prospectively.

13 “(G) RULES RELATING TO AVERAGE BEN-
14 EFIT.—For purposes of subparagraph (E)—

15 “(i) the average benefit provided to
16 participants under the plan will be treated
17 as having remained the same between the
18 2 dates described in subparagraph (E)(ii)
19 if the benefit formula applicable to such
20 participants has not changed between such
21 dates, and

22 “(ii) if the benefit formula applicable
23 to 1 or more participants under the plan
24 has changed between such 2 dates, then
25 the average benefit under the plan shall be

1 considered to have increased by more than
2 50 percent only if—

3 “(I) the total amount determined
4 under section 430(b)(1)(A)(i) for all
5 participants benefitting under the
6 plan for the plan year in which the 5-
7 year period described in subparagraph
8 (E) ends, exceeds

9 “(II) the total amount deter-
10 mined under section 430(b)(1)(A)(i)
11 for all such participants for such plan
12 year, by using the benefit formula in
13 effect for each such participant for
14 the first plan year in such 5-year pe-
15 riod, by more than 50 percent.

16 In the case of a CSEC plan (as defined in
17 section 414(y)), the normal cost of the
18 plan (as determined under section
19 433(j)(1)(B)) shall be used in lieu of the
20 amount determined under section
21 430(b)(1)(A)(i).

22 “(H) TREATMENT AS SINGLE PLAN.—For
23 purposes of subparagraphs (E) and (G), a plan
24 described in section 413(c) shall be treated as

1 a single plan rather than as separate plans
2 maintained by each employer in the plan.

3 “(I) SPECIAL RULES.—For purposes of
4 subparagraphs (A)(i) and (B)(iii)(II), the fol-
5 lowing rules shall apply:

6 “(i) In applying section 410(b)(6)(C),
7 the closing of the class of participants shall
8 not be treated as a significant change in
9 coverage under section 410(b)(6)(C)(i)(II).

10 “(ii) 2 or more plans shall not fail to
11 be eligible to be aggregated and treated as
12 a single plan solely by reason of having dif-
13 ferent plan years.

14 “(iii) Changes in the employee popu-
15 lation shall be disregarded to the extent at-
16 tributable to individuals who become em-
17 ployees or cease to be employees, after the
18 date the class is closed, by reason of a
19 merger, acquisition, divestiture, or similar
20 event.

21 “(iv) Aggregation and all other testing
22 methodologies otherwise applicable under
23 subsection (a)(4) and section 410(b) may
24 be taken into account.

1 The rule of clause (ii) shall also apply for pur-
2 poses of determining whether plans to which
3 subparagraph (B)(i) applies may be aggregated
4 and treated as 1 plan for purposes of deter-
5 mining whether such plans meet the require-
6 ments of subsection (a)(4) and section 410(b).

7 “(J) SPUN-OFF PLANS.—For purposes of
8 this paragraph, if a portion of a defined benefit
9 plan described in subparagraph (A) or (B)(iii)
10 is spun off to another employer and the spun-
11 off plan continues to satisfy the requirements
12 of—

13 “(i) subparagraph (A)(i) or
14 (B)(iii)(II), whichever is applicable, if the
15 original plan was still within the 3-year pe-
16 riod described in such subparagraph at the
17 time of the spin off, and

18 “(ii) subparagraph (A)(ii) or
19 (B)(iii)(III), whichever is applicable,
20 the treatment under subparagraph (A) or (B)
21 of the spun-off plan shall continue with respect
22 to such other employer.

23 “(2) TESTING OF DEFINED CONTRIBUTION
24 PLANS.—

1 “(A) TESTING ON A BENEFITS BASIS.—A
2 defined contribution plan shall be permitted to
3 be tested on a benefits basis if—

4 “(i) such defined contribution plan
5 provides make-whole contributions to a
6 closed class of participants whose accruals
7 under a defined benefit plan have been re-
8 duced or eliminated,

9 “(ii) for the plan year of the defined
10 contribution plan as of which the class eli-
11 gible to receive such make-whole contribu-
12 tions closes and the 2 succeeding plan
13 years, such closed class of participants sat-
14 isfies the requirements of section
15 410(b)(2)(A)(i) (determined by applying
16 the rules of paragraph (1)(I)),

17 “(iii) after the date as of which the
18 class was closed, any plan amendment to
19 the defined contribution plan which modi-
20 fies the closed class or the allocations, ben-
21 efits, rights, and features provided to such
22 closed class does not discriminate signifi-
23 cantly in favor of highly compensated em-
24 ployees, and

1 “(iv) the class was closed before April
2 5, 2017, or the defined benefit plan under
3 clause (i) is described in paragraph (1)(C)
4 (as applied for purposes of paragraph
5 (1)(B)(iii)(IV)).

6 “(B) AGGREGATION WITH PLANS INCLUD-
7 ING MATCHING CONTRIBUTIONS.—

8 “(i) IN GENERAL.—With respect to 1
9 or more defined contribution plans de-
10 scribed in subparagraph (A), for purposes
11 of determining compliance with subsection
12 (a)(4) and section 410(b), the portion of
13 such plans which provides make-whole con-
14 tributions or other nonelective contribu-
15 tions may be aggregated and tested on a
16 benefits basis with the portion of 1 or
17 more other defined contribution plans
18 which—

19 “(I) provides matching contribu-
20 tions (as defined in subsection
21 (m)(4)(A)),

22 “(II) provides annuity contracts
23 described in section 403(b) which are
24 purchased with matching contribu-
25 tions or nonelective contributions, or

1 “(III) consists of an employee
2 stock ownership plan (within the
3 meaning of section 4975(e)(7)) or a
4 tax credit employee stock ownership
5 plan (within the meaning of section
6 409(a)).

7 “(ii) SPECIAL RULES FOR MATCHING
8 CONTRIBUTIONS.—Rules similar to the
9 rules of paragraph (1)(B)(ii) shall apply
10 for purposes of clause (i).

11 “(C) SPECIAL RULES FOR TESTING DE-
12 FINED CONTRIBUTION PLAN FEATURES PRO-
13 VIDING MATCHING CONTRIBUTIONS TO CERTAIN
14 OLDER, LONGER SERVICE PARTICIPANTS.—In
15 the case of a defined contribution plan which
16 provides benefits, rights, or features to a closed
17 class of participants whose accruals under a de-
18 fined benefit plan have been reduced or elimi-
19 nated, the plan shall not fail to satisfy the re-
20 quirements of subsection (a)(4) solely by reason
21 of the composition of the closed class or the
22 benefits, rights, or features provided to such
23 closed class if the defined contribution plan and
24 defined benefit plan otherwise meet the require-
25 ments of subparagraph (A) but for the fact that

1 the make-whole contributions under the defined
2 contribution plan are made in whole or in part
3 through matching contributions.

4 “(D) SPUN-OFF PLANS.—For purposes of
5 this paragraph, if a portion of a defined con-
6 tribution plan described in subparagraph (A) or
7 (C) is spun off to another employer, the treat-
8 ment under subparagraph (A) or (C) of the
9 spun-off plan shall continue with respect to the
10 other employer if such plan continues to comply
11 with the requirements of clauses (ii) (if the
12 original plan was still within the 3-year period
13 described in such clause at the time of the spin
14 off) and (iii) of subparagraph (A), as deter-
15 mined for purposes of subparagraph (A) or (C),
16 whichever is applicable.

17 “(3) DEFINITIONS.—For purposes of this sub-
18 section—

19 “(A) MAKE-WHOLE CONTRIBUTIONS.—Ex-
20 cept as otherwise provided in paragraph (2)(C),
21 the term ‘make-whole contributions’ means non-
22 elective allocations for each employee in the
23 class which are reasonably calculated, in a con-
24 sistent manner, to replace some or all of the re-
25 tirement benefits which the employee would

1 have received under the defined benefit plan
2 and any other plan or qualified cash or deferred
3 arrangement under subsection (k)(2) if no
4 change had been made to such defined benefit
5 plan and such other plan or arrangement. For
6 purposes of the preceding sentence, consistency
7 shall not be required with respect to employees
8 who were subject to different benefit formulas
9 under the defined benefit plan.

10 “(B) REFERENCES TO CLOSED CLASS OF
11 PARTICIPANTS.—References to a closed class of
12 participants and similar references to a closed
13 class shall include arrangements under which 1
14 or more classes of participants are closed, ex-
15 cept that 1 or more classes of participants
16 closed on different dates shall not be aggre-
17 gated for purposes of determining the date any
18 such class was closed.

19 “(C) HIGHLY COMPENSATED EMPLOYEE.—
20 The term ‘highly compensated employee’ has
21 the meaning given such term in section
22 414(q).”.

23 (b) PARTICIPATION REQUIREMENTS.—Section
24 401(a)(26) of such Code is amended by adding at the end
25 the following new subparagraph:

1 “(I) PROTECTED PARTICIPANTS.—

2 “(i) IN GENERAL.—A plan shall be
3 deemed to satisfy the requirements of sub-
4 paragraph (A) if—

5 “(I) the plan is amended—

6 “(aa) to cease all benefit ac-
7 cruals, or

8 “(bb) to provide future ben-
9 efit accruals only to a closed
10 class of participants,

11 “(II) the plan satisfies subpara-
12 graph (A) (without regard to this sub-
13 paragraph) as of the effective date of
14 the amendment, and

15 “(III) the amendment was adopt-
16 ed before April 5, 2017, or the plan is
17 described in clause (ii).

18 “(ii) PLANS DESCRIBED.—A plan is
19 described in this clause if the plan would
20 be described in subsection (o)(1)(C), as ap-
21 plied for purposes of subsection
22 (o)(1)(B)(iii)(IV) and by treating the effec-
23 tive date of the amendment as the date the
24 class was closed for purposes of subsection
25 (o)(1)(C).

1 “(iii) SPECIAL RULES.—For purposes
2 of clause (i)(II), in applying section
3 410(b)(6)(C), the amendments described in
4 clause (i) shall not be treated as a signifi-
5 cant change in coverage under section
6 410(b)(6)(C)(i)(II).

7 “(iv) SPUN-OFF PLANS.—For pur-
8 poses of this subparagraph, if a portion of
9 a plan described in clause (i) is spun off to
10 another employer, the treatment under
11 clause (i) of the spun-off plan shall con-
12 tinue with respect to the other employer.”.

13 (c) EFFECTIVE DATE.—

14 (1) IN GENERAL.—Except as provided in para-
15 graph (2), the amendments made by this section
16 shall take effect on the date of the enactment of this
17 Act, without regard to whether any plan modifica-
18 tions referred to in such amendments are adopted or
19 effective before, on, or after such date of enactment.

20 (2) SPECIAL RULES.—

21 (A) ELECTION OF EARLIER APPLICA-
22 TION.—At the election of the plan sponsor, the
23 amendments made by this section shall apply to
24 plan years beginning after December 31, 2013.

1 (B) CLOSED CLASSES OF PARTICIPANTS.—

2 For purposes of paragraphs (1)(A)(iii),
3 (1)(B)(iii)(IV), and (2)(A)(iv) of section 401(o)
4 of the Internal Revenue Code of 1986 (as added
5 by this section), a closed class of participants
6 shall be treated as being closed before April 5,
7 2017, if the plan sponsor's intention to create
8 such closed class is reflected in formal written
9 documents and communicated to participants
10 before such date.

11 (C) CERTAIN POST-ENACTMENT PLAN
12 AMENDMENTS.—A plan shall not be treated as
13 failing to be eligible for the application of sec-
14 tion 401(o)(1)(A), 401(o)(1)(B)(iii), or
15 401(a)(26) of such Code (as added by this sec-
16 tion) to such plan solely because in the case
17 of—

18 (i) such section 401(o)(1)(A), the plan
19 was amended before the date of the enact-
20 ment of this Act to eliminate 1 or more
21 benefits, rights, or features, and is further
22 amended after such date of enactment to
23 provide such previously eliminated benefits,
24 rights, or features to a closed class of par-
25 ticipants, or

1 (ii) such section 401(o)(1)(B)(iii) or
2 section 401(a)(26), the plan was amended
3 before the date of the enactment of this
4 Act to cease all benefit accruals, and is
5 further amended after such date of enact-
6 ment to provide benefit accruals to a closed
7 class of participants. Any such section
8 shall only apply if the plan otherwise meets
9 the requirements of such section and in ap-
10 plying such section, the date the class of
11 participants is closed shall be the effective
12 date of the later amendment.

13 **SEC. 203. STUDY OF APPROPRIATE PBGC PREMIUMS.**

14 (a) IN GENERAL.—The Pension Benefit Guaranty
15 Corporation (hereafter in this section referred to as “the
16 Corporation”) shall enter into a contract with an appro-
17 priate agency or organization to conduct an independent
18 study of the Corporation’s Single Employer Pension In-
19 surance Modeling System.

20 (b) SELECTION OF INDEPENDENT ORGANIZATION.—
21 The appropriate agency or organization referred to in sub-
22 section (a) shall be selected by the Board of Directors of
23 the Corporation. Such agency or organization shall be the
24 Social Security Administration or any other agency or or-
25 ganization that such Board determines is independent

1 from the Corporation and has the expertise to conduct the
2 study described in this section.

3 (c) STUDY.—The independent study referred to in
4 subsection (a) shall begin not later than 6 months after
5 the date of the enactment of this Act and shall—

6 (1) examine the current structure and level of
7 premiums required to be paid by single employer
8 plans (including fixed, variable and termination pre-
9 miums) to the Corporation to evaluate whether such
10 premiums are sufficient for the Corporation to pay
11 the benefits guaranteed by the Corporation,

12 (2) evaluate whether there are alternative struc-
13 tures and levels of premiums that would better ac-
14 count for the risks posed by various categories of
15 single employer plans, including on the basis of—

16 (A) industry, ownership structure, or size
17 of the plan sponsor,

18 (B) plan funded status, risk or volatility of
19 plan investments, or credit worthiness of the
20 plan sponsor, or

21 (C) a combination of factors described in
22 subparagraphs (A) and (B),

23 (3) evaluate whether other methods of esti-
24 mating the value of assets and liabilities should be
25 used in the financial statements of the Corporation

1 (including methods described in the report titled
2 “The Risk Exposure of the Pension Benefit Guar-
3 anty Corporation” published by the Congressional
4 Budget Office in September 2005 and methods de-
5 scribed in the report titled “Options to Improve the
6 Financial Condition of the Pension Benefit Guar-
7 anty Corporation’s Multiemployer Program” pub-
8 lished by the Congressional Budget Office in August
9 2016),

10 (4) evaluate whether multiple employer plans in
11 general, and multiple employer plans that are CSEC
12 plans (as defined in section 414(y) of the Internal
13 Revenue Code of 1986) in particular, have charac-
14 teristics that warrant a separate structure and level
15 of premiums, and

16 (5) include an explanation of the assumptions
17 underlying each analysis involved in conducting such
18 study.

19 **TITLE III—OTHER SAVINGS** 20 **PROVISIONS**

21 **SEC. 301. UNIVERSAL SAVINGS ACCOUNTS.**

22 (a) IN GENERAL.—Subchapter F of chapter 1 of the
23 Internal Revenue Code of 1986 is amended by adding at
24 the end the following new part:

1 **“PART IX—UNIVERSAL SAVINGS ACCOUNTS**

2 **“SEC. 530U. UNIVERSAL SAVINGS ACCOUNTS.**

3 “(a) GENERAL RULE.—A Universal Savings Account
4 shall be exempt from taxation under this subtitle. Not-
5 withstanding the preceding sentence, such account shall
6 be subject to the taxes imposed by section 511 (relating
7 to imposition of tax on unrelated business income of chari-
8 table organizations).

9 “(b) UNIVERSAL SAVINGS ACCOUNT.—For purposes
10 of this section, the term ‘Universal Savings Account’
11 means a trust created or organized in the United States
12 by an individual for the exclusive benefit of such individual
13 and which is designated (in such manner as the Secretary
14 may prescribe) at the time of the establishment of the
15 trust as a Universal Savings Account, but only if the writ-
16 ten governing instrument creating the trust meets the fol-
17 lowing requirements:

18 “(1) Except in the case of a qualified rollover
19 contribution described in subsection (d)—

20 “(A) no contribution will be accepted un-
21 less it is in cash, and

22 “(B) contributions will not be accepted for
23 the taxable year in excess of the contribution
24 limit specified in subsection (c)(2).

25 “(2) No distribution will be made unless it is—

26 “(A) cash, or

1 “(B) property that—

2 “(i) has a readily ascertainable fair
3 market value, and

4 “(ii) is identified by the Secretary in
5 regulations or other guidance as property
6 to which this subparagraph applies.

7 “(3) The trustee is a bank (as defined in sec-
8 tion 408(n)) or another person who demonstrates to
9 the satisfaction of the Secretary that the manner in
10 which that person will administer the trust will be
11 consistent with the requirements of this section.

12 “(4) No part of the trust assets will be invested
13 in life insurance contracts or collectibles (as defined
14 in section 408(m)).

15 “(5) The interest of an individual in the bal-
16 ance of his account is nonforfeitable.

17 “(6) The assets of the trust shall not be com-
18 mingled with other property except in a common
19 trust fund or common investment fund.

20 “(c) TREATMENT OF DISTRIBUTIONS AND CON-
21 TRIBUTIONS.—

22 “(1) DISTRIBUTIONS.—

23 “(A) IN GENERAL.—Except as provided in
24 subparagraph (B), any distribution from a Uni-

1 versal Savings Account shall not be includible in
2 gross income.

3 “(B) NET INCOME ATTRIBUTABLE TO EX-
4 CESS CONTRIBUTIONS.—Any distribution of net
5 income described in section 4973(i)(2) shall be
6 includible in the gross income of the account
7 holder in the taxable year in which the con-
8 tribution to which such net income relates was
9 made.

10 “(2) CONTRIBUTION LIMIT.—

11 “(A) IN GENERAL.—The aggregate
12 amount of contributions (other than qualified
13 rollover contributions described in subsection
14 (d)) for any taxable year to all Universal Sav-
15 ings Accounts maintained for the benefit of an
16 individual shall not exceed the lesser of—

17 “(i) \$2,500, or

18 “(ii) an amount equal to the com-
19 pensation (within the meaning of section
20 219) includible in such individual’s gross
21 income for such taxable year.

22 “(B) NO CONTRIBUTIONS FOR DEPEND-
23 ENTS.—In the case of an individual who is a
24 dependent of another taxpayer for a taxable
25 year beginning in the calendar year in which

1 such individual's taxable year begins, the dollar
2 amount under subparagraph (A) for such indi-
3 vidual's taxable year shall be zero.

4 “(C) SPECIAL RULE IN CASE OF JOINT RE-
5 TURN.—

6 “(i) IN GENERAL.—In the case of an
7 individual to whom this clause applies, the
8 amount determined under subparagraph
9 (A)(ii) with respect to such individual for
10 the taxable year shall not be less than an
11 amount equal to the sum of—

12 “(I) the compensation of such in-
13 dividual includible in gross income for
14 the taxable year, plus

15 “(II) the compensation of such
16 individual's spouse includible in gross
17 income for the taxable year reduced
18 (but not below zero) by the amount
19 contributed for the taxable year to all
20 Universal Savings Accounts main-
21 tained for the benefit of such spouse.

22 “(ii) INDIVIDUAL TO WHOM CLAUSE
23 (i) APPLIES.—Clause (i) shall apply to any
24 individual—

1 “(I) who files a joint return for
2 the taxable year, and

3 “(II) whose compensation includ-
4 ible in gross income for the taxable
5 year is less than the compensation of
6 such individual’s spouse includible in
7 gross income for the taxable year.

8 “(D) COST-OF-LIVING ADJUSTMENT.—In
9 the case of any taxable year beginning in a cal-
10 endar year after 2019, the \$2,500 amount
11 under subparagraph (A)(i) shall be increased by
12 an amount equal to—

13 “(i) such dollar amount, multiplied by

14 “(ii) the cost-of-living adjustment de-
15 termined under section 1(f)(3) for the cal-
16 endar year, determined by substituting
17 ‘calendar year 2018’ for ‘calendar year
18 2016’ in subparagraph (A)(ii) thereof.

19 If any amount after adjustment under the pre-
20 ceding sentence is not a multiple of \$100, such
21 amount shall be rounded to the next lower mul-
22 tiple of \$100.

23 “(d) QUALIFIED ROLLOVER CONTRIBUTION.—For
24 purposes of this section, the term ‘qualified rollover con-
25 tribution’ means a contribution to a Universal Savings Ac-

1 count from another such account of the same individual,
2 but only if such amount is contributed not later than the
3 60th day after the distribution from such other account.

4 “(e) TREATMENT OF ACCOUNT UPON DEATH.—
5 Upon death of any account holder of a Universal Savings
6 Account—

7 “(1) SPOUSE.—In the case of the account hold-
8 er’s surviving spouse acquiring such account holder’s
9 interest in such account by reason of the death of
10 the account holder, such account shall be treated as
11 if the spouse were the account holder.

12 “(2) OTHER CASES.—In any other case—

13 “(A) all amounts in such account shall be
14 treated as distributed on the date of such indi-
15 vidual’s death, and

16 “(B) such account shall cease to be treated
17 as a Universal Savings Account.

18 “(f) OTHER SPECIAL RULES.—

19 “(1) COMMUNITY PROPERTY LAWS.—This sec-
20 tion shall be applied without regard to any commu-
21 nity property laws.

22 “(2) LOSS OF TAXATION EXEMPTION OF AC-
23 COUNT WHERE INDIVIDUAL ENGAGES IN PROHIB-
24 ITED TRANSACTION; EFFECT OF PLEDGING ACCOUNT
25 AS SECURITY.—Rules similar to the rules of para-

1 graphs (2) and (4) of section 408(e) shall apply to
2 any Universal Savings Account.

3 “(g) REPORTS.—The trustee of a Universal Savings
4 Account shall make such reports regarding such account
5 to the Secretary and to the account holder with respect
6 to contributions, distributions, and such other matters as
7 the Secretary may require. Such reports shall be—

8 “(1) filed at such time and in such manner as
9 the Secretary provides, and

10 “(2) furnished to account holders—

11 “(A) not later than January 31 of the cal-
12 endar year following the calendar year to which
13 such reports relate, and

14 “(B) in such manner as the Secretary pro-
15 vides.”.

16 (b) TAX ON EXCESS CONTRIBUTIONS.—

17 (1) IN GENERAL.—Section 4973(a) of such
18 Code is amended by striking “or” at the end of
19 paragraph (5), by inserting “or” at the end of para-
20 graph (6), and by inserting after paragraph (6) the
21 following new paragraph:

22 “(7) a Universal Savings Account (as defined in
23 section 530U),”.

1 (2) EXCESS CONTRIBUTION.—Section 4973 of
2 such Code is amended by adding at the end the fol-
3 lowing new subsection:

4 “(i) EXCESS CONTRIBUTIONS TO UNIVERSAL SAV-
5 INGS ACCOUNTS.—For purposes of this section—

6 “(1) IN GENERAL.—In the case of Universal
7 Savings Accounts (within the meaning of section
8 530U), the term ‘excess contributions’ means the
9 sum of—

10 “(A) the amount (if any) by which the
11 amount contributed for the taxable year to such
12 accounts (other than qualified rollover contribu-
13 tions (as defined in section 530U(d))) exceeds
14 the contribution limit under section 530U(c)(2)
15 for such taxable year, and

16 “(B) the amount determined under this
17 subsection for the preceding taxable year, re-
18 duced by the sum of—

19 “(i) the distributions out of the ac-
20 count for the taxable year, and

21 “(ii) the amount (if any) by which the
22 maximum amount allowable as a contribu-
23 tion under section 530U(c)(2) for the tax-
24 able year exceeds the amount contributed
25 to the accounts for the taxable year.

1 “(2) SPECIAL RULE.—A contribution shall not
2 be taken into account under paragraph (1) if such
3 contribution (together with the amount of net in-
4 come attributable to such contribution) is distributed
5 to the account holder on or before the due date of
6 the account holder’s return of tax for such taxable
7 year.”.

8 (c) TAX ON PROHIBITED TRANSACTIONS.—Section
9 4975(e)(1) of such Code is amended by striking “or” at
10 the end of subparagraph (F), by striking the period at
11 the end of subparagraph (G) and inserting “, or”, and
12 by adding at the end the following new subparagraph:

13 “(H) a Universal Savings Account (as de-
14 fined in section 530U).”.

15 (d) FAILURE TO PROVIDE REPORTS ON UNIVERSAL
16 SAVINGS ACCOUNTS.—Section 6693(a)(2) of such Code is
17 amended by striking “and” at the end of subparagraph
18 (E), by striking the period at the end of subparagraph
19 (F) and inserting “, and”, and by inserting after subpara-
20 graph (F) the following new subparagraph:

21 “(G) section 530U(g) (relating to Uni-
22 versal Savings Accounts).”.

23 (e) CONFORMING AMENDMENT.—The table of parts
24 for subchapter F of chapter 1 of such Code is amended
25 by adding at the end the following new item:

 “PART IX. UNIVERSAL SAVINGS ACCOUNTS”.

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

4 **SEC. 302. EXPANSION OF SECTION 529 PLANS.**

5 (a) DISTRIBUTIONS FOR CERTAIN EXPENSES ASSO-
6 CIATED WITH REGISTERED APPRENTICESHIP PRO-
7 GRAMS.—Section 529(c) of the Internal Revenue Code of
8 1986 is amended by adding at the end the following new
9 paragraph:

10 “(8) TREATMENT OF CERTAIN EXPENSES ASSO-
11 CIATED WITH REGISTERED APPRENTICESHIP PRO-
12 GRAMS.—Any reference in this subsection to the
13 term ‘qualified higher education expense’ shall in-
14 clude a reference to expenses for fees, books, sup-
15 plies, and equipment required for the participation
16 of a designated beneficiary in an apprenticeship pro-
17 gram registered and certified with the Secretary of
18 Labor under section 1 of the National Apprentice-
19 ship Act (29 U.S.C. 50).”.

20 (b) DISTRIBUTIONS FOR CERTAIN HOMESCHOOLING
21 EXPENSES.—Section 529(c)(7) of such Code is amended
22 by striking “include a reference to” and all that follows
23 and inserting “include a reference to—

24 “(A) expenses for tuition in connection
25 with enrollment or attendance of a designated

1 beneficiary at an elementary or secondary pub-
2 lic, private, or religious school, and

3 “(B) expenses, with respect to a des-
4 ignated beneficiary, for—

5 “(i) curriculum and curricular mate-
6 rials,

7 “(ii) books or other instructional ma-
8 terials,

9 “(iii) online educational materials,

10 “(iv) tuition for tutoring or edu-
11 cational classes outside of the home (but
12 only if the tutor or class instructor is not
13 related (within the meaning of section
14 152(d)(2)) to the student),

15 “(v) dual enrollment in an institution
16 of higher education, and

17 “(vi) educational therapies for stu-
18 dents with disabilities,

19 in connection with a homeschool (whether treat-
20 ed as a homeschool or a private school for pur-
21 poses of applicable State law).”.

22 (c) DISTRIBUTIONS FOR QUALIFIED EDUCATION
23 LOAN REPAYMENTS.—

1 (1) IN GENERAL.—Section 529(e) of such Code,
2 as amended by subsection (a), is amended by adding
3 at the end the following new paragraph:

4 “(9) TREATMENT OF QUALIFIED EDUCATION
5 LOAN REPAYMENTS.—

6 “(A) IN GENERAL.—Any reference in this
7 subsection to the term ‘qualified higher edu-
8 cation expense’ shall include a reference to
9 amounts paid as principal or interest on any
10 qualified education loan (as defined in section
11 221(d)) of the designated beneficiary or a sib-
12 ling of the designated beneficiary.

13 “(B) LIMITATION.—The amount of dis-
14 tributions treated as a qualified higher edu-
15 cation expense under this paragraph with re-
16 spect to the loans of any individual shall not ex-
17 ceed \$10,000 (reduced by the amount of dis-
18 tributions so treated for all prior taxable years).

19 “(C) SPECIAL RULES FOR SIBLINGS OF
20 THE DESIGNATED BENEFICIARY.—

21 “(i) SEPARATE ACCOUNTING.—For
22 purposes of subparagraph (B) and sub-
23 section (d), amounts treated as a qualified
24 higher education expense with respect to
25 the loans of a sibling of the designated

1 beneficiary shall be taken into account
2 with respect to such sibling and not with
3 respect to such designated beneficiary.

4 “(ii) SIBLING DEFINED.—For pur-
5 poses of this paragraph, the term ‘sibling’
6 means an individual who bears a relation-
7 ship to the designated beneficiary which is
8 described in section 152(d)(2)(B).”.

9 (2) COORDINATION WITH DEDUCTION FOR STU-
10 DENT LOAN INTEREST.—Section 221(e)(1) of such
11 Code is amended by adding at the end the following:
12 “The deduction otherwise allowable under subsection
13 (a) (prior to the application of subsection (b)) to the
14 taxpayer for any taxable year shall be reduced (but
15 not below zero) by so much of the distributions
16 treated as a qualified higher education expense
17 under section 529(c)(9) with respect to loans of the
18 taxpayer as would be includible in gross income
19 under section 529(c)(3)(A) for such taxable year but
20 for such treatment.”.

21 (d) DISTRIBUTIONS FOR CERTAIN ELEMENTARY AND
22 SECONDARY SCHOOL EXPENSES IN ADDITION TO TUI-
23 TION.—Section 529(c)(7)(A), as amended by subsection
24 (b), is amended to read as follows:

1 “(A) expenses described in section
2 530(b)(3)(A)(i) in connection with enrollment
3 or attendance of a designated beneficiary at an
4 elementary or secondary public, private, or reli-
5 gious school, and”.

6 (e) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to distributions made after Decem-
8 ber 31, 2018.

9 **SEC. 303. PENALTY-FREE WITHDRAWALS FROM RETIRE-**
10 **MENT PLANS FOR INDIVIDUALS IN CASE OF**
11 **BIRTH OF CHILD OR ADOPTION.**

12 (a) IN GENERAL.—Section 72(t)(2) of the Internal
13 Revenue Code of 1986 is amended by adding at the end
14 the following new subparagraph:

15 “(H) DISTRIBUTIONS FROM RETIREMENT
16 PLANS IN CASE OF BIRTH OF CHILD OR ADOP-
17 TION.—

18 “(i) IN GENERAL.—Any qualified
19 birth or adoption distribution.

20 “(ii) LIMITATION.—The aggregate
21 amount which may be treated as qualified
22 birth or adoption distributions by any indi-
23 vidual with respect to any birth or adop-
24 tion shall not exceed \$7,500.

1 “(iii) QUALIFIED BIRTH OR ADOPTION
2 DISTRIBUTION.—For purposes of this sub-
3 paragraph—

4 “(I) IN GENERAL.—The term
5 ‘qualified birth or adoption distribu-
6 tion’ means any distribution from an
7 applicable eligible retirement plan to
8 an individual if made during the 1-
9 year period beginning on the date on
10 which a child of the individual is born
11 or on which the legal adoption by the
12 individual of an eligible child is final-
13 ized.

14 “(II) ELIGIBLE CHILD.—The
15 term ‘eligible child’ means any indi-
16 vidual (other than a child of the tax-
17 payer’s spouse) who has not attained
18 age 18 or is physically or mentally in-
19 capable of self-support.

20 “(iv) TREATMENT OF PLAN DISTRIBUTIONS.—
21

22 “(I) IN GENERAL.—If a distribu-
23 tion to an individual would (without
24 regard to clause (ii)) be a qualified
25 birth or adoption distribution, a plan

1 shall not be treated as failing to meet
2 any requirement of this title merely
3 because the plan treats the distribu-
4 tion as a qualified birth or adoption
5 distribution, unless the aggregate
6 amount of such distributions from all
7 plans maintained by the employer
8 (and any member of any controlled
9 group which includes the employer) to
10 such individual exceeds \$7,500.

11 “(II) CONTROLLED GROUP.—For
12 purposes of subclause (I), the term
13 ‘controlled group’ means any group
14 treated as a single employer under
15 subsection (b), (c), (m), or (o) of sec-
16 tion 414.

17 “(v) AMOUNT DISTRIBUTED MAY BE
18 REPAID.—

19 “(I) IN GENERAL.—Any indi-
20 vidual who receives a qualified birth
21 or adoption distribution may make
22 one or more contributions in an ag-
23 gregate amount not to exceed the
24 amount of such distribution to an ap-
25 plicable eligible retirement plan of

1 which such individual is a beneficiary
2 and to which a rollover contribution of
3 such distribution could be made under
4 section 402(c), 403(a)(4), 403(b)(8),
5 408(d)(3), or 457(e)(16), as the case
6 may be.

7 “(II) LIMITATION ON CONTRIBU-
8 TIONS TO APPLICABLE ELIGIBLE RE-
9 TIREMENT PLANS OTHER THAN
10 IRAS.—The aggregate amount of con-
11 tributions made by an individual
12 under subclause (I) to any applicable
13 eligible retirement plan which is not
14 an individual retirement plan shall not
15 exceed the aggregate amount of quali-
16 fied birth or adoption distributions
17 which are made from such plan to
18 such individual. Subclause (I) shall
19 not apply to contributions to any ap-
20 plicable eligible retirement plan which
21 is not an individual retirement plan
22 unless the individual is eligible to
23 make contributions (other than those
24 described in subclause (I)) to such ap-
25 plicable eligible retirement plan.

1 “(III) TREATMENT OF REPAY-
2 MENTS OF DISTRIBUTIONS FROM AP-
3 PLICABLE ELIGIBLE RETIREMENT
4 PLANS OTHER THAN IRAS.—If a con-
5 tribution is made under subclause (I)
6 with respect to a qualified birth or
7 adoption distribution from an applica-
8 ble eligible retirement plan other than
9 an individual retirement plan, then
10 the taxpayer shall, to the extent of the
11 amount of the contribution, be treated
12 as having received such distribution in
13 an eligible rollover distribution (as de-
14 fined in section 402(c)(4)) and as
15 having transferred the amount to the
16 applicable eligible retirement plan in a
17 direct trustee to trustee transfer with-
18 in 60 days of the distribution.

19 “(IV) TREATMENT OF REPAY-
20 MENTS FOR DISTRIBUTIONS FROM
21 IRAS.—If a contribution is made
22 under subclause (I) with respect to a
23 qualified birth or adoption distribution
24 from an individual retirement plan,
25 then, to the extent of the amount of

1 the contribution, such distribution
2 shall be treated as a distribution de-
3 scribed in section 408(d)(3) and as
4 having been transferred to the appli-
5 cable eligible retirement plan in a di-
6 rect trustee to trustee transfer within
7 60 days of the distribution.

8 “(vi) DEFINITION AND SPECIAL
9 RULES.—For purposes of this subpara-
10 graph—

11 “(I) APPLICABLE ELIGIBLE RE-
12 TIREMENT PLAN.—The term ‘applica-
13 ble eligible retirement plan’ means an
14 eligible retirement plan (as defined in
15 section 402(c)(8)(B)) other than a de-
16 fined benefit plan.

17 “(II) EXEMPTION OF DISTRIBU-
18 TIONS FROM TRUSTEE TO TRUSTEE
19 TRANSFER AND WITHHOLDING
20 RULES.—For purposes of sections
21 401(a)(31), 402(f), and 3405, a quali-
22 fied birth or adoption distribution
23 shall not be treated as an eligible roll-
24 over distribution.

1 “(III) TAXPAYER MUST INCLUDE
2 TIN.—A distribution shall not be
3 treated as a qualified birth or adop-
4 tion distribution with respect to any
5 child or eligible child unless the tax-
6 payer includes the name, age, and
7 TIN of such child or eligible child on
8 the taxpayer’s return of tax for the
9 taxable year.

10 “(IV) DISTRIBUTIONS TREATED
11 AS MEETING PLAN DISTRIBUTION RE-
12 QUIREMENTS.—Any qualified birth or
13 adoption distribution shall be treated
14 as meeting the requirements of sec-
15 tions 401(k)(2)(B)(i),
16 403(b)(7)(A)(ii), 403(b)(11), and
17 457(d)(1)(A).”.

18 (b) EFFECTIVE DATE.—The amendments made by
19 this subsection shall apply to distributions made after De-
20 cember 31, 2018.

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