HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

THE SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT ACT OF 2019 (THE SECURE ACT)

Endorsed by: AARP, SEIU, Church Alliance, Girl Scouts, Boy Scouts of America, National Association of Women Business Owners, National Council of Farmer Cooperatives, TIAA, Air Line Pilots of Association, NTCA-The Rural Broadband Association, the Women's Institute for a Secure Retirement, AALU, ACLI, and more.

Americans are currently facing a retirement income crisis, with too many people in danger of not having enough in retirement to maintain their standard of living and avoid sliding into poverty. According to a recent study, one-third of American workers believe they will either face significant financial hardship during retirement or will never retire. And a 2018 study found that almost two-thirds of workers have no retirement account assets.

The SECURE Act, approved by the Ways & Means Committee by a unanimous, bipartisan vote, goes a long way in addressing our retirement income crisis. The version the House will vote on makes further improvements by addressing concerns raised about 529 plans and also fixing the flawed tax treatment under current law of payments to Gold Star families, tribal government payments, scholarships, and other payments to children.

The SECURE Act Makes it Easier for American Workers to Save for Retirement

- **Open Multiple Employer Plans (MEPs) –** The SECURE Act would make it easier for small businesses to offer retirement plans to their employees by eliminating outdated barriers to the use of MEPs and improving the quality of MEP service providers . As a result of this provision, which has the support of AARP, it is estimated that 600,000 to 700,000 new retirement accounts will be formed.

- **Helps Provide Retirement Benefit Opportunities to Home Care Workers –** Home care workers – 90 percent of which are women, more than half are women of color – help seniors and those with disabilities live comfortably in their own homes. This is extremely difficult work with very little pay. Some states currently provide these workers – or want to provide these workers – with the opportunity to save for retirement, which is particularly important given that many of them do not participate in Social Security. However, a quirk in current law prevents many home care workers from participating in 401(k) or saving with an IRA.

  The SECURE Act, which is endorsed by SEIU, fixes this glitch and would allow home care workers to contribute to a defined contribution plan or IRA. Thanks to this provision, about 180,000 California residents will no longer have to worry about this limitation on their ability to save for retirement in a plan or IRA. In Washington State, between 15,000 and 30,000 workers are currently saving in a defined contribution plan and will be kicked out if we don't pass the SECURE Act.

- **Allows Long-time, Part-time Workers to Participate in a 401(k) Plan –** The SECURE Act would require employers to allow long-term, part-time workers to participate in their 401(k) plans. As women are more likely to work part-time than men, this legislation is particularly important for women in the workforce. And we're pleased to have the support of the Women's Institute for a Secure Retirement.

- **Small Employer Automatic Enrollment Credit –** Automatic enrollment is shown to increase employee participation and make it easier for workers to participate in 401(k) plans. The SECURE Act creates a new tax credit of up to $500 per year to small employers to defray startup costs for new section 401(k) plans that include automatic enrollment.

The SECURE Act Requires Additional Lifetime Income Disclosures and Provides Relief to Cooperative and Small Employer Charity (CSEC) Pension Plans

- **Requires Disclosures Regarding Lifetime Income –** The SECURE Act requires benefit statements provided to defined contribution plan participants to include a lifetime income disclosure at least once a year. The disclosure would illustrate the monthly payments the participant would receive if the total account balance were used to provide lifetime income streams.

- **CSEC PBGC Premium Relief –** CSEC plans are subject to funding rules that were in effect before the Pension Protection Act was enacted in 2006. The SECURE Act provides that the PBGC premiums for CSEC plans also would be set at the figures in existence before 2006. This provision is important to:
    - Girl Scouts of the USA
    - Boy Scouts of America
    - Christian Schools International
    - The Jewish Federations of North America
    - Rural Co-ops (Electric, Telecom/Broadband, Agricultural)

The SECURE Act Closes a Loophole Used by the Wealthy

- **Shuts Down Stretch IRAs –** The SECURE Act shuts down the so-called stretch IRA. If you die and you still have money in your retirement account, current law generally provides that the money left in your account can be distributed over the life of your beneficiary. Because a beneficiary can be much younger than the participant who died, the current rules allow the beneficiary to "stretch" the receipt of distributions over many years, permitting the beneficiary to enjoy tax-favored accumulation of earnings over a long period of time.

  For example, assume there is a 70-year-old woman with $1,000,000 in her IRA who has named her 25-year-old grandson as her beneficiary. When that person dies, the 25-year-old beneficiary can distribute the $1,000,000 over his life expectancy (which would be close to 60 years). The SECURE Act generally would require retirement savings accounts to be distributed within ten years of the death of the accountholder subject to certain exceptions.

- **Prohibits 401(k) Debit Cards –** The SECURE Act prohibits the distribution of plan loans through debit cards or similar arrangements. This change will ensure that plan loans are not used for routine or small purchases, thereby preserving retirement savings.

The SECURE Act Fixes the Flawed Tax Treatment of Payments to Gold Star Families, Tribal Government Payments, Scholarships, and Other Payments to Children

- **Repeals TCJA Change that Resulted in Unexpected, Higher Tax Rates on Children –** The SECURE Act fixes the unexpected and unfair higher tax rates imposed on survivorship benefits for children of servicemembers, tribal government payments to children, certain scholarships and fellowship grants, Alaska Permanent Fund dividend payments, payments made by state and local governments to children of fallen first responders, and other payments to children by repealing the TCJA provision that resulted in these higher tax rates for 2019 onwards. To ensure this repeal does not retroactively increase tax rates on children who may have benefited from the TCJA provision, taxpayers may elect to compute their liability under either the TCJA's rate structure or the rate structure resulting from this legislation for tax year 2018.