Budget Reconciliation Legislative Recommendations Relating to Retirement

Subtitle B—Retirement

SEC. 131001. AMENDMENT OF 1986 CODE.

Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

PART 1—AUTOMATIC CONTRIBUTION PLANS AND ARRANGEMENTS

SEC. 131101. TAX IMPOSED ON EMPLOYERS FAILING TO MAINTAIN OR FACILITATE AUTOMATIC CONTRIBUTION PLAN OR ARRANGEMENT.

(a) Automatic Contribution Plan or Arrangement.—

(1) In general.—Section 414 is amended by adding at the end the following:

“(aa) Automatic Contribution Plan or Arrangement.—For purposes of this title—
“(1) In general.—The term ‘automatic contribution plan or arrangement’ means—

“(A) a defined contribution plan that—

“(i) is described in clause (i), (ii), or (iv) of section 219(g)(5)(A),

“(ii) includes a qualified cash or deferred arrangement or a salary reduction arrangement, and

“(iii) meets the notice, eligibility, contribution, investment, fee, and lifetime income requirements of paragraphs (2), (3), (4), (5), (6), and (7), respectively,

“(B) an automatic IRA arrangement described in paragraph (8),

“(C) an arrangement described in section 408(p) that meets the notice, contribution, investment, and fee requirements described in paragraphs (2), (4), (5), and (6), and

“(D) a plan described in clause (i), (ii), (iv), (v), or (vi) of section 219(g)(5)(A) that is established and maintained by an employer as of the date of enactment of the Act to provide for reconciliation pursuant to title II of S. Con. Res. 14, or a plan described in section 219(g)(5)(A)(iv) that is not subject to title I of
the Employee Retirement Income Security Act of 1974 and offers annuity contracts, or makes custodial accounts available to employees, as of such date.

“(2) NOTICE REQUIREMENTS.—A plan or arrangement shall be treated as meeting the notice requirements of this paragraph with respect to an employee if the plan or arrangement meets the notice requirements of, or similar to, the notice requirements of section 401(k)(13)(E), excluding any such notice requirements that are not applicable or relevant to the such plan or arrangement.

“(3) ELIGIBILITY REQUIREMENTS.—

“(A) IN GENERAL.—The requirements of this paragraph shall be treated as met if all employees of the employer are eligible to participate in an automatic contribution plan or arrangement maintained or facilitated by the employer.

“(B) CERTAIN EXCLUSIONS.—The following employees may be excluded from consideration in determining whether the requirements of this paragraph are met:
“(i) INDIVIDUALS LESS THAN 21 YEARS OLD.—Any employee who has not attained age 21.

“(ii) CERTAIN OTHER EMPLOYEES.—Any employee described in section 410(b)(3).

“(iii) SERVICE REQUIREMENTS.—Any employee who has not completed at least one of the following periods of service with the employer maintaining or facilitating the plan or arrangement:

“(I) The period permitted under section 410(a)(1) (determined without regard to subparagraph (B)(i) thereof).

“(II) A period of 2 consecutive 12-month periods during each of which the employee has at least 500 hours of service.

“(C) SPECIAL RULES FOR CONTROLLED GROUPS.—Eligible employees within an employer need not be eligible to participate in the same automatic contribution plan or arrangement. For purposes of this subsection, the term ‘employer’ shall include all employers treated as

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a single employer under subsection (b), (c), (m), or (o) of section 414.

“(D) ENTRY DATES.—Rules similar to the rules of section 410(a)(4) shall apply with respect to employees who have satisfied the age and service requirements referenced in subparagraph (B) and who are otherwise entitled to participate in a plan or arrangement.

“(4) CONTRIBUTION REQUIREMENTS.—

“(A) IN GENERAL.—The requirements of this paragraph shall be treated as met if, under the plan or arrangement, each employee eligible to participate in the plan or arrangement is treated as having elected to have the employer make elective contributions in an amount equal to the qualified percentage of compensation.

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

“(i) not to have such contributions made, or
“(ii) to make elective contributions at a level specified in such affirmative election.

“(C) QUALIFIED PERCENTAGE.—For purposes of this paragraph, and except as provided in subparagraph (D)(i), the term ‘qualified percentage’ means, with respect to any employee, any percentage determined under the plan or arrangement if such percentage is applied uniformly, does not exceed 15 percent (10 percent during the period described in clause (i)), and is at least—

“(i) 6 percent during the period ending on the last day of the first plan year which begins after the date on which the first elective contribution described in subparagraph (A) is made with respect to such employee,

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

“(iii) 8 percent during the first plan year following the plan year described in clause (ii),
“(iv) 9 percent during the first plan year following the plan year described in clause (iii), and

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

“(D) RULES RELATING TO AUTOMATIC IRA ARRANGEMENTS.—For purposes of this paragraph—

“(i) QUALIFIED PERCENTAGE.—In the case of an automatic IRA arrangement, the term ‘qualified percentage’ means, with respect to an employee for any plan year, a percentage equal to the minimum percentage described for such plan year under subparagraph (C).

“(ii) PAYROLL DEDUCTION CONTRIBUTIONS.—In the case of an automatic IRA arrangement, any reference in this paragraph to elective contributions shall be treated as including a reference to payroll deduction contributions.

“(5) INVESTMENT REQUIREMENTS.—

“(A) IN GENERAL.—

“(i) DEFAULT INVESTMENTS.—A plan or arrangement shall be treated as meeting
the requirements of this paragraph if in the absence of an investment election by a participant or beneficiary, amounts are invested only in the class of assets or funds described in subparagraph (B).

“(ii) REQUIRED INVESTMENT OPTIONS IN AUTOMATIC IRA ARRANGEMENT.—In addition to the default investment requirement of clause (i), an automatic IRA arrangement shall be treated as meeting the requirements of this paragraph if the arrangement also allows the participant to invest in any of the class of assets or funds described in subparagraph (B), (C), (D), or (E), and provides for no other investment options.

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

“(C) PRINCIPAL PRESERVATION.—The class of assets or funds described in this clause is the class of assets or funds that is designed
to protect the principal of the individual on an ongoing basis.

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

“(E) OTHER.—Any other class of assets or funds determined by the Secretary to be a qualified investment for purposes of this section.

“(6) FEE REQUIREMENTS.—In the case of any plan or arrangement not otherwise subject to title I of the Employee Retirement Income Security Act of 1974, under the fee requirements of this paragraph, no participant may be charged unreasonable fees or expenses.

“(7) LIFETIME INCOME REQUIREMENTS.—

“(A) IN GENERAL.—A plan or arrangement shall be treated as meeting the lifetime income requirement described in this paragraph if the plan or arrangement permits participants to elect to receive at least 50 percent of their vest-
ed account balance in a form of distribution described in section 401(a)(38)(B)(iii).

“(B) Exception.—

“(i) In general.—This paragraph shall not apply with respect to any participant whose vested account balance is $200,000 or less at the time of distribution.

“(ii) Not treated as discriminatory in favor of highly compensated employees.—A plan shall not be treated as failing to meet the requirements of section 401(a)(4) solely by reason of applying the exception of clause (i) to the requirements of subparagraph (A).

“(8) Automatic IRA arrangement.—

“(A) In general.—For purposes of this paragraph, the term ‘automatic IRA arrangement’ means, with respect to an employer (and trustee or issuer designated by the employer), an arrangement facilitated by the employer which meets the requirements of this paragraph and the eligibility, contribution, investment, and fee requirements of paragraphs (3), (4), (5), and (6), and under which an employee—
“(i) may elect—

“(I) to have the employer make payroll deduction deposits on behalf of the individual as payroll deduction contributions to an individual retirement account, or

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

“(ii) is treated as having made the election under clause (i)(I) at the level determined under paragraph (4)(D) until the individual makes an affirmative election not to have such contributions made (or to have such contributions made at a level specified in the affirmative election), and

“(iii) may elect to modify the manner in which such amounts are invested for such plan year.

“(B) ADMINISTRATIVE REQUIREMENTS.—

“(i) PAYMENTS.—The requirements of this subparagraph are met with respect to any automatic IRA arrangement if the employer makes the payments elected or treated as elected under subparagraph (A)(i) on or before the last day of the
month following the month in which the compensation otherwise would have been payable to the employee in cash.

“(ii) NOTICE OF ELECTION PERIOD.—

The requirements of this paragraph shall be treated as met with respect to any year if the employer notifies each employee eligible to participate, within a reasonable period of time before the beginning of such year (and, for the first year the employee is so eligible, a reasonable period of time before the first day such employee is so eligible), of—

“(I) the opportunity to elect to have contributions made, or to be treated as so electing, under clause (i)(I), or (ii), of subparagraph (A),

“(II) the opportunity to elect not to have payroll deduction contributions made or to have such contributions made at a different percentage or in a different amount, and

“(III) the opportunity under subparagraph (A)(iii) to modify the man-
ner in which such amounts are invested for such year.

The employer shall provide such notice in paper form or, if the employee so elects, in electronic form.

“(C) LIMITS ON CONTRIBUTIONS.—An employer shall not be treated as failing to satisfy the requirements of this section or any other provision of this title merely because—

“(i) aggregate payroll deduction contributions by or on behalf of an individual to individual retirement accounts of the individual exceed the deductible amount in effect under section 219(b)(5) (determined without regard to subparagraph (B) thereof) for any taxable year in which any payroll deduction contributions by the employer under an automatic IRA arrangement are made, or

“(ii) the employer chooses to limit the payroll deduction contributions under this subsection on behalf of an employee for any calendar year in a manner reasonably designed to avoid exceeding such deductible amount.
“(D) DEFAULT TREATMENT AS ROTH IRA.—An employee on whose behalf payroll deduction contributions are made to an individual retirement account under subparagraph (A) may elect, at such time and in such manner and form as the Secretary may prescribe, whether to treat the individual retirement account as designated as a Roth IRA. If no such election is made, the account shall be treated as so designated.

“(E) DEPOSITS TO INDIVIDUAL RETIREMENT ACCOUNTS OF A DESIGNATED TRUSTEE OR ISSUER.—

“(i) IN GENERAL.—An employer shall not be treated as failing to satisfy the requirements of this section, or any other provision of this title, merely because the employer makes all payroll deduction contributions on behalf of all employees (or all employees who do not specify an individual retirement account, trustee, or issuer to receive the contributions) to individual retirement accounts specified in clause (ii).

“(ii) INDIVIDUAL RETIREMENT ACCOUNTS OTHER THAN THOSE SELECTED
BY EMPLOYEE.—An employer may elect to have payroll deduction contributions for all employees participating in an automatic IRA arrangement made to individual retirement accounts of a trustee or issuer under the arrangement that has been designated by the employer, but only if the provider of such accounts, and the investments therein, are identified on the website established under subparagraph (F)(iii).

The preceding sentence shall not apply unless each participant is notified in writing that the participant’s balance may be transferred without cost or penalty to another individual retirement account established by or on behalf of the participant. Such notice shall be in paper form or, if the employee so elects, electronic form.

“(iii) EMPLOYERS MAY PERMIT EMPLOYEE TO CHOOSE IRA.—If the employer so elects, the arrangement may provide for an employee election to have payroll deduction contributions made to any individual retirement account specified by the employee.
“(iv) Regulations.—The Secretary may issue such regulations as are necessary to carry out the purposes of this subparagraph, including establishment of procedures to assist employers in connecting with certified and available providers of individual retirement accounts and to communicate to individuals the importance of investment diversification.

“(F) Model Notice, etc.—The Secretary shall—

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

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

“(II) to satisfy the requirements of subparagraph (B)(ii),

“(ii) provide model forms for enrollment, including automatic enrollment, in an automatic IRA arrangement,
“(iii) establish a website or other electronic means that small employers and individuals can access and use to obtain information on automatic IRA arrangements (including clear, standardized, easy-to-compare information on fees and expenses and investment returns in a format prescribed by the Secretary) and to obtain notices and forms, and

“(iv) establish a process—

“(I) for the provider of an automatic IRA arrangement to demonstrate to the Secretary that the arrangement is described in this paragraph and meets the requirements specified in paragraph (1)(B), and

“(II) to certify any arrangement that the Secretary determines so demonstrates, to regularly monitor compliance and update such determinations and certifications, and to list all arrangements so certified on the website described in clause (iii) as appropriate for use by employers and participants.
The information referred to in clause (iii) shall be provided in a manner designed to assist employers and providers by facilitating the identification by employers of private-sector providers of individual retirement accounts, including the provider’s investment options, that are appropriate for use in automatic IRA arrangements.

“(G) Safe Harbor for Certain State-Provided Arrangements.—An arrangement facilitated by an employer shall not fail to be treated as an automatic IRA arrangement merely because such arrangement is provided or otherwise offered, in whole or in part, by a State.

“(H) Individual Retirement Account.—For purposes of this paragraph, the term ‘individual retirement account’ shall have the meaning given such term by section 408(a), except that such term shall include individual retirement annuities (as defined in section 408(b)).”

(2) Other Rules Applicable to Automatic IRA Arrangements.—

(A) Penalty for Failure to Timely Remit Contributions to Automatic IRA AR-
RANGEMENTS.—Section 4975(c) is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULE FOR AUTOMATIC IRA ARRANGEMENTS.—For purposes of paragraph (1), if an employer is required under an automatic IRA arrangement (as defined in section 414(aa)(1)(B)) to deposit amounts withheld from an employee’s compensation into an individual retirement account (within the meaning of section 414(aa)(8)(H)) but fails to do so within the time prescribed under section 414(aa)(8)(B)(i), such amounts shall be treated as assets of the individual retirement account.”.

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

“(11) DISTRIBUTION FOLLOWING INITIAL ELECTION TO PARTICIPATE IN AUTOMATIC IRA ARRANGEMENT.—Paragraph (1) shall not apply in the case of a distribution—

“(A) to an individual from an individual retirement account (within the meaning of section 414(aa)(8)(H)) that is part of an auto-
automatic IRA arrangement (as defined in section 414(aa)(8)(A)), and

“(B) made not later than 90 days after the initial election under section 414(aa)(8)(A)(ii).”.

(C) AUTOMATIC IRA ADVISORY GROUP.—

(i) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury shall establish an Automatic IRA Advisory Group (hereinafter in this subparagraph referred to as the “Advisory Group”). The purpose of the Advisory Group shall be to make recommendations, advise, and assist in the Secretary’s implementation and administration of paragraphs (5), (6), and (8) of section 414(aa) of the Internal Revenue Code of 1986 with respect to automatic IRA arrangements in the best financial interest of savers, including—

(I) the procedures and criteria for the periodic certification, website listing, and monitoring of investment options that meet the requirements of those paragraphs,
(II) user-friendly disclosure regarding investment returns, terms, fees, and expenses to facilitate comparison,

(III) the use of low-cost investment options,

(IV) the appropriate use of electronic and paper methods to provide notice and disclosure,

(V) any possible learnings or efficiencies based on the Secretary’s procedures and experience in approving nonbank individual retirement account trustees, and

(VI) such other related matters as may be determined by the Secretary.

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

(I) such individuals as the Secretary may consider appropriate to provide expertise regarding the financial needs and challenges of lower- and middle-income households,
(II) at least one individual who is an expert in retirement-related consumer protections or who represents the general public, and

(III) at least one representative of the Department of the Treasury.

(iii) COMPENSATION.—The members of the Advisory Group shall serve without compensation.

(iv) ADMINISTRATIVE SUPPORT.—The Department of the Treasury shall provide appropriate administrative support to the Advisory Group, including technical assistance. The Advisory Group may use the services and facilities of such Department, with or without reimbursement, as determined by such Department.

(v) REPORT BY ADVISORY GROUP.—Not later than 1 year after the date of the enactment of this Act, the Advisory Group shall submit to the Secretary of the Treasury a report containing its recommendations. The Secretary may request that the Advisory Group submit subsequent reports.
(b) EXCISE TAX FOR FAILURE TO MAINTAIN OR FACILITATE AUTOMATIC CONTRIBUTION PLANS OR ARRANGEMENTS.—

(1) IN GENERAL.—Chapter 43 is amended by adding at the end the following new section:

“SEC. 4980J. FAILURE TO MAINTAIN OR FACILITATE AUTOMATIC CONTRIBUTION PLANS OR ARRANGEMENTS.

“(a) GENERAL RULE.—

“(1) IN GENERAL.—There is hereby imposed a tax on the failure of an employer to maintain or facilitate an automatic contribution plan or arrangement.

“(2) EXCEPTIONS.—

“(A) Paragraph (1) shall not apply to an employer to the extent such employer participates in an arrangement under a qualified State law.

“(B) Paragraph (1) shall not apply to an employer with respect to any employee who is eligible to participate in a different automatic contribution plan or arrangement than one or more other employees of the employer.

“(b) AMOUNT OF TAX.—
“(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to an employee shall be $10 for each day in the noncompliance period with respect to such failure.

“(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term ‘noncompliance period’ means, with respect to any failure, the period—

“(A) beginning on the date such failure first occurs, and

“(B) ending on the earlier of—

“(i) the date such failure is corrected, or

“(ii) with respect to any employer, the date that is 3 months after the last date on which the employee is required to be eligible to participate in an automatic contribution plan or arrangement maintained or facilitated by such employer.

“(3) ADJUSTMENT FOR INFLATION.—

“(A) IN GENERAL.—In the case of any failure relating to maintaining or facilitating a plan or arrangement in a calendar year beginning after 2023, the $10 amount under paragraph (1) shall be increased by an amount equal to such dollar amount multiplied by the
cost-of-living adjustment determined under section 1(f)(3) for the calendar year determined by
substituting ‘calendar year 2022’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(B) Rounding.—If any amount adjusted under subparagraph (A) is not a whole dollar amount, such amount shall be rounded to the nearest whole dollar amount.

“(e) Limitations on Amount of Tax.—

“(1) Tax not to apply where failure not discovered exercising reasonable diligence.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that none of the persons referred to in subsection (e) knew, nor exercising reasonable diligence would have known, that such failure existed.

“(2) Tax not to apply to failures corrected within 9 1/2 months.—No tax shall be imposed by subsection (a) on any failure if—

“(A) such failure was due to reasonable cause and not to willful neglect, and

“(B) such failure is corrected during the 9 1/2-month period beginning on the first date any of the persons referred to in subsection (e)
knew that such failure existed, or exercising reasonable diligence would have known.

“(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures which are due to reasonable cause and not to willful neglect—

“(A) GENERAL RULE.—The tax imposed by subsection (a) for failures during the taxable year of the employer shall not exceed $500,000.

“(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this subparagraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

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

“(d) TAX NOT TO APPLY IN CERTAIN CASES.—This section shall not apply in the case of—
“(1) any employer with respect to a plan or arrangement that, during the prior calendar year, was maintained or facilitated only by employers each of which had no more than 5 employees receiving at least $5,000 of compensation from the employer for such year,

“(2) any employer with respect to a governmental plan (within the meaning of section 414(d)),

“(3) any employer with respect to a church plan (within the meaning of section 414(e)), or

“(4) any employer that has been in existence for fewer than 2 years, taking into account all predecessor employers.

“(e) LIABILITY FOR TAX.—The employer shall be liable for the tax imposed by subsection (a) on a failure. All employers, determined without regard to subsection (f)(2), shall be jointly and severally liable for the liability of any other employer with which they are aggregated under subsection (f)(2).

“(f) DEFINITIONS.—For purposes of this section—

“(1) AUTOMATIC CONTRIBUTION PLAN OR ARRANGEMENT.—The term ‘automatic contribution plan or arrangement’ has the meaning given such term under section 414(aa), and
“(2) EMPLOYER.—The term ‘employer’ includes all employers treated as a single employer under subsection (b), (c), (m), or (o) of section 414.

“(3) QUALIFIED STATE LAW.—The term ‘qualified State law’ means a State law (as it may be amended from time to time) that—

“(A) was enacted before the date of the enactment of the Act to provide for reconciliation pursuant to title II of S. Con. Res. 14, and

“(B)(i) requires certain employers to facilitate an automatic IRA arrangement pursuant to a payroll deduction savings program of the State, or

“(ii) allows certain employers to contribute to, or participate in, a plan described in section 413(c) of such Code established and maintained by the State.”.

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

“Sec. 4980J. Failure to maintain or facilitate automatic contribution plans or arrangements.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2022.
SEC. 131102. DEFERRAL-ONLY ARRANGEMENTS.

(a) In General.—Section 401(k) is amended by adding at the end the following new paragraph:

“(16) DEFERRAL-ONLY ARRANGEMENT.—

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

“(B) DEFERRAL-ONLY ARRANGEMENT.—

For purposes of this paragraph, the term ‘deferral-only arrangement’ means any cash or deferred arrangement which meets—

“(i) the automatic deferral requirements of subparagraph (C),

“(ii) the elective contribution requirement of subparagraph (D), and

“(iii) the requirements of subparagraph (E) of paragraph (13).

“(C) AUTOMATIC DEFERRAL.—

“(i) IN GENERAL.—The requirements of this subparagraph shall be treated as met if, under the arrangement, each employee eligible to participate in the arrangement is treated as having elected to have the employer make elective contributions in an amount equal to the qualified percentage of compensation.
“(ii) ELECTION OUT.—The election treated as having been made under clause (i) shall cease to apply with respect to any employee if such employee makes an affirmative election—

“(I) to not have such contributions made, or

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

“(iii) QUALIFIED PERCENTAGE.—For purposes of this subparagraph, with respect to any employee, the term ‘qualified percentage’ means, in lieu of the meaning given such term in paragraph (13)(C)(iii), any percentage determined under the arrangement if such percentage is applied uniformly, does not exceed 15 percent (10 percent during the period described in subclause (I)) and is at least—

“(I) 6 percent during the period ending on the last day of the first plan year which begins after the date on which the first elective contribution
described in clause (i) is made with respect to such employee,

“(II) 7 percent during the first plan year following the plan year described in subclause (I),

“(III) 8 percent during the first plan year following the plan year described in subclause (II),

“(IV) 9 percent during the first plan year following the plan year described in subclause (III), and

“(V) 10 percent during any subsequent plan year.

“(D) ELECTIVE CONTRIBUTIONS.—

“(i) IN GENERAL.—The requirements of this subparagraph are met if under the plan containing the arrangement—

“(I) the only contributions which may be made are elective contributions of employees who are eligible to participate in the arrangement, and

“(II) the aggregate amount of such elective contributions which may be made with respect to any employee for any calendar year shall not exceed
the amount in effect for the taxable year under section 219(b)(5) (determined without regard to subparagraph (B) thereof).

“(ii) CROSS REFERENCE.—For catch-up contributions for individuals age 50 or over, see section 414(v).”.

(b) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 AND OVER.—

(1) Section 414(v)(2)(B)(i) is amended by inserting “, 401(k)(16),” after “401(k)(11)”.

(2) Section 414(v)(2)(B) is amended by adding at the end thereof the following clause:

“(iii) In the case of an applicable employer plan described in section 401(k)(16), the applicable dollar amount is $1,000.”.

(3) Section 414(v)(2)(C) is amended—

(A) by striking “(B)(i) and” and inserting “(B)(i),” and by inserting after “subparagraph (B)(ii)” the following: “, and the $1,000 amount described in subparagraph (B)(iii)”,

(B) inserting after “2005” the following: “(the calendar quarter beginning July 1, 2020,
in the case of the $1,000 amount described in
subparagraph (B)(iii)”, and
(C) by inserting before the period at the
end the following “($100 in the case of an in-
crease in the amount described in subparagraph
(B)(iii) which is not a multiple of $100)”.
(e) Plans Not Treated as Top-heavy Plans.—
Section 416(g)(4)(H)(i) is amended by striking “or
401(k)(13)” and inserting “401(k)(13), or 401(k)(16)”.
(d) Effective Date.—The amendments made by
this section shall apply to plan years beginning after De-
cember 31, 2022.
SEC. 131103. Increase in Credit Limitation for Small
Employer Pension Plan Startup Costs
Including for Automatic Contribution
Plan or Arrangement.
(a) Years for Which Credit Is Allowed.—Sec-
tion 45E(b)(1) is amended by striking “2 taxable years”
and inserting “4 taxable years”.
(b) Special Rule for Employers With 25 or
Fewer Employees.—Section 45E(a) is amended by in-
serting before the period at the end the following: “(100
percent of such costs in the case of an eligible employer
with 25 or fewer employees, as determined by substituting
‘25’ for ‘100’ in section 408(p)(2)(C)(i))”.

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(c) Credit Not to Apply to Certain Plans or Arrangements.—

(1) No credit with respect to deferral-only arrangements or automatic IRA arrangements.—Section 45E(d)(2) is amended by inserting ``(other than a deferral-only arrangement (as defined in section 401(k)(16)(B))”’ before the period at the end.

(2) Termination with respect to plans other than automatic contribution plans or arrangements.—Section 45E is amended by adding at the end the following new subsection:

“(f) Credit Terminated for Non-automatic Contribution Plans or Arrangements After 2022.—In the case of taxable years beginning after December 31, 2022, no credit shall be allowed under this section for amounts paid or incurred with respect to an eligible employer plan that is not an automatic contribution plan or arrangement (as defined in section 414(aa)).”.

(d) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2021.
SEC. 131104. CREDIT FOR CERTAIN SMALL EMPLOYER AUTOMATIC RETIREMENT ARRANGEMENTS.

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

“SEC. 45U. CREDIT FOR CERTAIN SMALL EMPLOYER AUTOMATIC RETIREMENT ARRANGEMENTS.

“(a) General Rule.—For purposes of section 38, in the case of an eligible employer, the small employer automatic retirement arrangement credit determined under this section for any taxable year in the credit period is $500.

“(b) Definitions.—For purposes of this section—

“(1) Eligible Employer.—The term ‘eligible employer’ means, with respect to the calendar year in which the taxable year begins, an employer which—

“(A)(i) participates in an automatic IRA arrangement (as defined in section 414(aa)(8)), or an arrangement described in 4980J(a)(2)(A), or

“(ii) maintains a deferral-only arrangement (as defined in section 401(k)(16)),

“(B) is described in 408(p)(2)(C)(i), and

“(C) did not maintain an eligible employer plan during the portion of the calendar year
preceding the commencement of such arrange-
ment, or adoption of such deferral-only arrange-
ment, and the 2 preceding calendar years.

“(2) CREDIT PERIOD.—The term ‘credit period’
means the first 4 calendar years beginning after the
date of the enactment of this section in which the
eligible employer participates in the arrangement or
maintains the deferral-only arrangement.

“(3) ELIGIBLE EMPLOYER PLAN.—The term
‘eligible employer plan’ means a qualified employer
plan within the meaning of section 4972(d).

“(c) OTHER RULES.—For purposes of this section,
the rules of section 45E(e) shall apply.”.

(b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
NESS CREDIT.—Section 38(b) of is amended by striking
“plus” at the end of paragraph (32), by striking the period
at the end of paragraph (33) and inserting “, plus”, and
by adding at the end the following new paragraph:

“(34) the small employer automatic retirement
arrangement credit determined under section
45U(a).”.

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

“Sec. 45U. Credit for certain small employer automatic retirement arrange-
ments.”.
(d) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

PART 2—SAVER'S MATCH

SEC. 131011. MATCHING PAYMENTS FOR ELECTIVE DEFERRAL AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

(a) In General.—Subchapter B of chapter 65 is amended by adding at the end the following new section:

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

“(a) In General.—

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

“(2) Payment of Credit.—The credit under this section shall be—

“(A) treated as allowed by subpart C of part IV of subchapter A of chapter 1, and
“(B) paid by the Secretary as a contribution (as soon as practicable after the eligible individual has filed a tax return making a claim for such credit for the taxable year) to the applicable retirement savings vehicle of an eligible individual.

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

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

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

“(A) the excess of—

“(i) the taxpayer’s modified adjusted gross income for such taxable year, over

“(ii) the applicable dollar amount, bears to

“(B) the phaseout range.

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

“(3) APPLICABLE DOLLAR AMOUNT; PHASEOUT RANGE.—
“(A) JOINT RETURNS.—Except as provided in subparagraph (B)—

“(i) the applicable dollar amount is $50,000, and

“(ii) the phaseout range is $20,000.

“(B) OTHER RETURNS.—In the case of—

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

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

“(4) EXCEPTION; MINIMUM CREDIT.—In the case of an eligible individual with respect to whom (without regard to this paragraph) the credit determined under subsection (a)(1) is greater than zero but less than $100, the credit allowed under this section shall be $100.
“(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

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

“(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term ‘eligible individual’ shall not include—

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

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

“(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified retirement savings contributions’ means, with respect to any taxable year, the sum of—

“(A) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

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

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

“(C) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(e)), and

“(D) the amount of contributions made by such individual to the ABLE account (within the meaning of section 529A) of which such individual is the designated beneficiary.

Such term shall not include any amount attributable to a payment under subsection (a)(2).

“(2) Reduction for certain distributions.—

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

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

“(i) such taxable year,
“(ii) the 2 preceding taxable years,
and
“(iii) the period after such taxable
year and before the due date (including ex-
tensions) for filing the return of tax for
such taxable year.

“(C) Excepted Distributions.—There
shall not be taken into account under subpara-
graph (A)—

“(i) any distribution referred to in
section 72(p), 401(k)(8), 401(m)(6),
402(g)(2), 404(k), or 408(d)(4),
“(ii) any distribution to which section
408(d)(3) or 408A(d)(3) applies,
“(iii) any portion of a distribution if
such portion is transferred or paid in a
rollover contribution (as defined in section
402(c), 403(a)(4), 403(b)(8), 408A(e), or 457(e)(16)) to an account or plan to which qualified retirement contributions can be made, and

“(iv) the amount of distributions under a qualified ABLE program (within the meaning of section 529A) that is equal to amounts not included in gross income with respect to such distributions under section 529A(c)(1)(B) (relating to distributions for qualified disability expenses).

“(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining distributions received by an individual under subparagraph (A) for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

“(e) APPLICABLE RETIREMENT SAVINGS VEHICLE.—

“(1) IN GENERAL.—The term ‘applicable retirement savings vehicle’ means an account or plan
elected by the eligible individual under paragraph (2).

“(2) Election.—Any such election to have contributed the amount determined under subsection (a) shall be to an account or plan which—

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

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

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

“(D) is designated by such individual (in such form and manner as the Secretary may provide).

“(f) Other Definitions and Special Rules.—

“(1) Modified Adjusted Gross Income.—

For purposes of this section, the term ‘modified adjusted gross income’ means adjusted gross income—

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

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

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

“(A) except as otherwise provided in this
section or by the Secretary under regulations,
such contribution shall be treated as—

“(i) an elective deferral made by the
individual which is a designated Roth con-
tribution, if contributed to an applicable
retirement plan, or

“(ii) as a Roth IRA contribution made
by such individual, if contributed to a Roth
IRA, and

“(B) such contribution shall not be taken
into account with respect to any applicable limi-
tation under sections 402(g)(1), 403(b),
408(a)(1), 408(b)(2)(B), 408A(e)(2), 414(v)(2),
415(c), or 457(b)(2), and shall be disregarded
for purposes of sections 401(a)(4), 401(k)(3),
401(k)(11)(B)(i)(III), and 416.

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

“(4) Erroneous credits.—

“(A) In general.—If any contribution is erroneously paid under subsection (a)(2), including a payment that is not made to an applicable retirement savings vehicle, the amount of such erroneous payment shall be treated as an underpayment of tax (other than for purposes of part II of subchapter A of chapter 68) for the taxable year in which the Secretary determines the payment is erroneous.

“(B) Distribution of erroneous credits.—In the case of a contribution to which subparagraph (A) applies—

“(i) section 72 shall not apply to the distribution of such contribution (and any income attributable thereto) if such distribution is received not later than the day prescribed by law (including extensions of time) for filing the individual’s return for such taxable year, and

“(ii) any plan or arrangement from which such a distribution is made under this subparagraph shall not be treated as
violating any requirement under section 401, 403, 408A, or 457 solely by reason of making such distribution.

“(g) Provision by Secretary of Information Relating to Contributions.—In the case of an amount elected by an eligible individual to be contributed to an account or plan under subsection (e)(2), the Secretary shall provide guidance to the custodian of the account or the plan sponsor, as the case may be, detailing the treatment of such contribution under subsection (f)(2) and the reporting requirements with respect to such contribution under section 131011(c)(2) of the Act to provide for reconciliation pursuant to title II of S. Con. Res. 14.

“(h) Inflation Adjustments.—

“(1) In General.—In the case of any taxable year beginning in a calendar year after 2020, each of the dollar amounts in subsections (a)(1) and (b)(3)(A)(i) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2019’ for
‘calendar year 2016’ in subparagraph (A)(ii) thereof.

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

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

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

(b) TREATMENT OF CERTAIN POSSESSIONS.—

(1) PAYMENTS TO POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—The Secretary of the Treasury shall pay to each possession of the United States which has a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the amendments made by this section. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.

(2) PAYMENTS TO OTHER POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits (if any) that would have been provided
to residents of such possession by reason of the
amendments made by this section if a mirror code
tax system had been in effect in such possession.
The preceding sentence shall not apply unless the re-
spective possession has a plan, which has been ap-
proved by the Secretary of the Treasury, under
which such possession will promptly distribute such
payments to its residents.

(3) COORDINATION WITH CREDIT ALLOWED
AGAINST UNITED STATES INCOME TAXES.—No cred-
it shall be allowed against United States income
taxes under section 6433 of the Internal Revenue
Code of 1986 (as added by this section) to any per-
son—

(A) to whom a credit is allowed against
taxes imposed by the possession by reason of
the amendments made by this section, or

(B) who is eligible for a payment under a
plan described in paragraph (2).

(4) MIRROR CODE TAX SYSTEM.—For purposes
of this subsection, the term “mirror code tax sys-
tem” means, with respect to any possession of the
United States, the income tax system of such posses-

sion if the income tax liability of the residents of

such possession under such system is determined by
reference to the income tax laws of the United States as if such possession were the United States.

(5) TREATMENT OF PAYMENTS.—For purposes of section 1324 of title 31, United States Code, the payments under this subsection shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

(e) ADMINISTRATIVE PROVISIONS.—

(1) DEFICIENCIES.—Section 6211(b)(4) is amended by striking “and 7527A” and inserting “7527A, and 6433”.

(2) REPORTING.—The Secretary of the Treasury shall—

(A) amend Form 5500 to require separate reporting of the aggregate amount of contributions received by the plan during the year under section 6433 of the Internal Revenue Code of 1986 (as added by this section), and

(B) amend Form 5498 to require similar reporting with respect to individual retirement accounts (as defined in section 408 of such Code) and individual retirement annuities (as defined in section 408(b) of such Code).
(d) PAYMENT AUTHORITY.—Section 1324(b)(2) of title 31, United States Code, is amended by striking “or 7527A” and inserting “7527A, or 6433”.

(e) CONFORMING AMENDMENTS.—

(1) Section 25B is amended by striking subsections (a) through (f) and inserting the following: “For payment of credit related to qualified retirement savings contributions, see section 6433.”.

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

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

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2024.

SEC. 131012. DEADLINE TO FUND IRA WITH TAX REFUND.

(a) IN GENERAL.—Section 219(f)(3) is amended—

(1) by striking “is made not later than” and inserting “is made—

“(i) not later than”,

(2) by striking the period at the end and inserting “, or”, and

(3) by adding at the end the following new clause:
“(ii) by direct deposit by the Secretary pursuant to an election on the return for such taxable year to contribute all or a portion of any amount owed to the taxpayer to an individual retirement account of the taxpayer, but only if the return is filed not later than the date described in clause (i).”.

(b) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2022.