



perspective
GAINED

MEBC
**TAX CUTS & JOBS ACT
RETIREMENT PLAN
PROVISIONS**

Presented By
Bill Enck, Principal
February 14, 2018



New Provisions

PARTICIPANT LOAN ROLLOVERS

OLD RULE: Plan loan offset amounts must be rolled over within 60-days following the date of the offset.

NEW RULE:

- Applies in situations of termination of the plan or severance from employment
- Individual has until the due date, including extensions, for filing the tax return for the tax year in which the amount is treated as distributed from a “qualified employer plan”
- Effective for plan loan offset amounts treated as distributed in tax years beginning after December 31, 2017



New Provisions

RECHARACTERIZATION OF ROTH IRA

OLD RULE: Conversion to a Roth IRA could be recharacterized up to the due date of the tax return, including extensions, for the year the Roth conversion occurred.

NEW RULE:

- Recharacterization cannot be used to unwind a Roth conversion
 - Recharacterization is still permitted with respect to other contributions.
- Effective for tax years beginning after December 31, 2017



New Provisions

2016 QUALIFIED DISASTER DISTRIBUTION

OLD RULE: Amounts included in income in year of distribution, hardship distributions may not be recontributed to the plan and, if under age 59½, 10% early withdrawal penalty.

NEW RULE:

- 2016 disaster distribution may be included in income ratably over three (3) years
 - Distribution made January 1, 2016 and before January 1, 2018
- 10% early withdrawal penalty does not apply
- Amounts may be recontributed to eligible retirement plan
- Aggregate distributions may not exceed \$100,000



New Provisions

ACCRUAL LIMIT FOR LENGTH OF SERVICE AWARD PLAN

OLD RULE: Unique rule applicable to bona fide volunteers.
Annual limit of \$3,000

NEW RULE:

- Annual limit increased to \$6,000
- Cost of living adjustments are permitted
- Effective for tax years beginning after December 31, 2017



Budget Act Provisions

CHANGES INCLUDED IN RECENT BUDGET ACT

Hardship Withdrawals

- Effective for plan years beginning after December 31, 2018
- Treasury to issue regulations eliminating six-month suspension of deferrals
- Not required to take participant loan first
- Deferrals, **QNEC and QMAC plus earnings on all three types of contributions** eligible for Hardship

Tax Levy Distributions

Amounts distributed after December 31, 2017 due to incorrect IRS levy and returned by the IRS may be recontributed and treated as rollover contributions

Budget Act Provisions

CHANGES INCLUDED IN RECENT BUDGET ACT: CALIFORNIA WILDFIRE RELIEF

Withdrawals up to \$100,000 subject to the following rules:

- Distributions taken between 10/8/17-12/31/18
- Exempt from 10% early withdrawal penalty
- Taxable income spread over three (3) years, unless elect differently.
- Can be repaid to plan within three (3) years

Participant Loans

- Maximum loan is \$100,000/100% of vested balance for loans taken 2/9/18-12/31/18
- Loan repayments can be delayed for one-year.

Hardship for home purchase between 3/31/17-1/15/18

Can be repaid if taken to purchase home that was never purchased.



Saved,
For Now!

PROPOSED CHANGES THAT DID NOT MAKE THE FINAL BILL?

- Lowering earliest age to take an in-service distribution
- Relax nondiscrimination rules for frozen defined benefit plans
- Aggregate limit 401(k)/403(b) deferrals and 457(b) deferrals (i.e., the pre-2001 rules)
 - Eliminate special catch-up provisions in 403(b) and 457(b) plans
- Multiple Employer 401(k)s – rules would have made it easier for unrelated employers to join together
- The Rothification of retirement plan deferrals
 - Limit pre-tax contributions
 - All other employee deferrals would be Roth deferrals



Contact Us



BILL ENCK

Principal
benck@berrydunn.com
207.541.2300