

114TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to encourage retirement savings, to reform the treatment of Roth IRAs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

_____ introduced the following bill; which was read twice
and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to encourage retirement savings, to reform the treatment of Roth IRAs, 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 “Retirement Improvements and Savings Enhancements
6 Act of 2016”.

7 (b) **TABLE OF CONTENTS.**—The table of contents for
8 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—ENCOURAGEMENT OF RETIREMENT SAVINGS

- Sec. 101. Matching payments for elective deferral and IRA contributions by certain individuals.
- Sec. 102. Repeal of maximum age for traditional IRA contributions.
- Sec. 103. 60-day rollover to inherited individual retirement plan of nonspouse beneficiary.
- Sec. 104. Treatment of student loan payments as elective deferrals for purposes of matching contributions.

TITLE II—TREATMENT OF ROTH IRAS; MINIMUM REQUIRED
DISTRIBUTION RULES

- Sec. 201. Special rules relating to large Roth IRA account balances.
- Sec. 202. Elimination of Roth conversions.
- Sec. 203. Application of lifetime required minimum distribution rules to Roth IRAs.
- Sec. 204. Increase in age for required beginning date.
- Sec. 205. Exception from required distributions where aggregate retirement savings do not exceed \$150,000.
- Sec. 206. Modifications of required distribution rules for retirement plans.

TITLE III—ANTI-ABUSE RULES RELATING TO IRAS

- Sec. 301. Valuation of IRA investment assets.
- Sec. 302. Statute of limitations with respect to IRA noncompliance.
- Sec. 303. Prohibition of investment of IRA assets in entities in which the owner has a substantial interest.
- Sec. 304. IRA owners treated as disqualified persons for purposes of prohibited transactions rules.

1 **TITLE I—ENCOURAGEMENT OF**
2 **RETIREMENT SAVINGS**

3 **SEC. 101. MATCHING PAYMENTS FOR ELECTIVE DEFERRAL**
4 **AND IRA CONTRIBUTIONS BY CERTAIN INDI-**
5 **VIDUALS.**

6 (a) IN GENERAL.—Subchapter B of chapter 65 of the
7 Internal Revenue Code of 1986 is amended by adding at
8 the end the following new section:

9 **“SEC. 6433. MATCHING PAYMENTS FOR ELECTIVE DEFER-**
10 **RAL AND IRA CONTRIBUTIONS BY CERTAIN**
11 **INDIVIDUALS.**

12 “(a) IN GENERAL.—

1 “(ii) the applicable dollar amount,
2 bears to

3 “(B) the phaseout range.

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

7 “(3) APPLICABLE DOLLAR AMOUNT; PHASEOUT
8 RANGE.—

9 “(A) JOINT RETURNS.—Except as pro-
10 vided in subparagraph (B)—

11 “(i) the applicable dollar amount is
12 \$65,000, and

13 “(ii) the phaseout range is \$20,000.

14 “(B) OTHER RETURNS.—In the case of—

15 “(i) a head of a household (as defined
16 in section 2(b)), the applicable dollar
17 amount and the phaseout range shall be $\frac{3}{4}$
18 of the amounts applicable under subpara-
19 graph (A) (as adjusted under subsection
20 (g)), and

21 “(ii) any taxpayer who is not filing a
22 joint return and who is not a head of a
23 household (as so defined), the applicable
24 dollar amount and the phaseout range

1 shall be $\frac{1}{2}$ of the amounts applicable
2 under subparagraph (A) (as so adjusted).

3 “(c) ELIGIBLE INDIVIDUAL.—For purposes of this
4 section—

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

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

12 “(A) any individual with respect to whom
13 a deduction under section 151 is allowed to an-
14 other taxpayer for a taxable year beginning in
15 the calendar year in which such individual’s
16 taxable year begins, and

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

19 “(d) QUALIFIED RETIREMENT SAVINGS CONTRIBU-
20 TIONS.—For purposes of this section—

21 “(1) IN GENERAL.—The term ‘qualified retire-
22 ment savings contributions’ means, with respect to
23 any taxable year, the sum of—

1 “(A) the amount of the qualified retire-
2 ment contributions (as defined in section
3 219(e)) made by the eligible individual,

4 “(B) the amount of—

5 “(i) any elective deferrals (as defined
6 in section 402(g)(3)) of such individual,
7 and

8 “(ii) any elective deferral of com-
9 pensation by such individual under an eli-
10 gible deferred compensation plan (as de-
11 fined in section 457(b)) of an eligible em-
12 ployer described in section 457(e)(1)(A),
13 and

14 “(C) the amount of voluntary employee
15 contributions by such individual to any qualified
16 retirement plan (as defined in section 4974(c)).

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

19 “(2) REDUCTION FOR CERTAIN DISTRIBUTIONS.—
20 TIONS.—

21 “(A) IN GENERAL.—The qualified retire-
22 ment savings contributions determined under
23 paragraph (1) for a taxable year shall be re-
24 duced (but not below zero) by the aggregate
25 distributions received by the individual during

1 the testing period from any entity of a type to
2 which contributions under paragraph (1) may
3 be made.

4 “(B) TESTING PERIOD.—For purposes of
5 subparagraph (A), the testing period, with re-
6 spect to a taxable year, is the period which in-
7 cludes—

8 “(i) such taxable year,

9 “(ii) the 2 preceding taxable years,

10 and

11 “(iii) the period after such taxable
12 year and before the due date (including ex-
13 tensions) for filing the return of tax for
14 such taxable year.

15 “(C) EXCEPTED DISTRIBUTIONS.—There
16 shall not be taken into account under subpara-
17 graph (A)—

18 “(i) any distribution referred to in
19 section 72(p), 401(k)(8), 401(m)(6),
20 402(g)(2), 404(k), or 408(d)(4),

21 “(ii) any distribution to which section
22 408(d)(3) applies, and

23 “(iii) any portion of a distribution if
24 such portion is transferred or paid in a
25 rollover contribution (as defined in section

1 402(c), 403(a)(4), 403(b)(8), 408A(e), or
2 457(e)(16)) to an account or plan to which
3 qualified retirement savings contributions
4 can be made.

5 “(D) TREATMENT OF DISTRIBUTIONS RE-
6 CEIVED BY SPOUSE OF INDIVIDUAL.—For pur-
7 poses of determining distributions received by
8 an individual under subparagraph (A) for any
9 taxable year, any distribution received by the
10 spouse of such individual shall be treated as re-
11 ceived by such individual if such individual and
12 spouse file a joint return for such taxable year
13 and for the taxable year during which the
14 spouse receives the distribution.

15 “(e) APPLICABLE RETIREMENT SAVINGS VEHI-
16 CLE.—

17 “(1) IN GENERAL.—The term ‘applicable retire-
18 ment savings vehicle’ means—

19 “(A) an account or plan elected by the eli-
20 gible individual under paragraph (2), or

21 “(B) if no such election is made, a myRA
22 established for the benefit of the eligible indi-
23 vidual.

24 For purposes of subparagraph (B), if no myRA has
25 previously been established for the benefit of the in-

1 dividual, the Secretary shall establish a myRA for
2 such individual for purposes of contributions under
3 this section.

4 “(2) OTHER RETIREMENT VEHICLES.—An eligi-
5 ble individual may elect to have the amount deter-
6 mined under subsection (a) contributed to an ac-
7 count or plan which—

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

12 “(B) is for the benefit of the eligible indi-
13 vidual,

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

16 “(D) is designated by such individual (in
17 such form and manner as the Secretary may
18 provide) on the return of tax for the taxable
19 year.

20 “(3) MYRA.—For purposes of paragraph (1),
21 the term ‘myRA’ means a Roth IRA which is estab-
22 lished—

23 “(A) under the myRA program established
24 under regulations promulgated by the Sec-
25 retary, and

1 “(B) by the individual for whose benefit
2 the Roth IRA was created or by the Secretary
3 on behalf of such individual.

4 “(f) OTHER DEFINITIONS AND SPECIAL RULES.—

5 “(1) MODIFIED ADJUSTED GROSS INCOME.—

6 For purposes of this section, the term ‘modified ad-
7 justed gross income’ means adjusted gross income—

8 “(A) determined without regard to sections
9 911, 931, and 933, and

10 “(B) determined without regard to any ex-
11 clusion or deduction allowed for any qualified
12 retirement savings contribution made during
13 the taxable year.

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

16 “(A) except as otherwise provided in this
17 section or by the Secretary under regulations,
18 such contribution shall be treated in the same
19 manner as a contribution made by the indi-
20 vidual on whose behalf such contribution was
21 made,

22 “(B) such contribution shall not be treated
23 as income to the taxpayer, and

24 “(C) such contribution shall not be taken
25 into account with respect to any applicable limi-

1 tation under sections 402(g)(1), 403(b),
2 408(a)(1), 408(b)(2)(B), 408A(c)(2), 414(v)(2),
3 415(c), or 457(b)(2).

4 “(3) TREATMENT OF QUALIFIED PLANS, ETC.—

5 A plan or arrangement to which a contribution is
6 made under this section shall not be treated as vio-
7 lating any requirement under section 401, 403, 408,
8 or 457 solely by reason of accepting such contribu-
9 tion.

10 “(4) ERRONEOUS CREDITS.—If any contribu-
11 tion is erroneously paid under subsection (a)(2), the
12 amount of such erroneous payment shall be treated
13 as an underpayment of tax.

14 “(g) INFLATION ADJUSTMENTS.—

15 “(1) IN GENERAL.—In the case of any taxable
16 year beginning in a calendar year after 2017, each
17 of the dollar amounts in subsections (a)(1) and
18 (b)(3)(A)(i) shall be increased by an amount equal
19 to—

20 “(A) such dollar amount, multiplied by

21 “(B) the cost-of-living adjustment deter-
22 mined under section 1(f)(3) for the calendar
23 year in which the taxable year begins, deter-
24 mined by substituting ‘calendar year 2016’ for

1 ‘calendar year 1992’ in subparagraph (B)
2 thereof.

3 “(2) ROUNDING.—Any increase determined
4 under paragraph (1) shall be rounded to the nearest
5 multiple of—

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

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

10 (b) PROMOTION AND GUIDANCE.—

11 (1) PROMOTION.—The Secretary of the Treas-
12 ury (or the Secretary’s delegate) shall educate tax-
13 payers on the benefits provided under section 6433
14 of the Internal Revenue Code of 1986.

15 (2) GUIDANCE.—Not later than December 31,
16 2017, the Secretary of the Treasury (or the Sec-
17 retary’s delegate) shall issue guidance on the imple-
18 mentation and administration of the amendments
19 made by this section.

20 (c) PAYMENT AUTHORITY.—Section 1324(b)(2) of
21 title 31, United States Code, is amended by striking “or
22 6431” and inserting “6431, or 6433”.

23 (d) DEFICIENCIES.—Section 6211(b)(4) is amended
24 by striking “and 6431” and inserting “6431, and 6433”.

25 (e) CONFORMING AMENDMENTS.—

1 **SEC. 103. 60-DAY ROLLOVER TO INHERITED INDIVIDUAL**
2 **RETIREMENT PLAN OF NONSPOUSE BENE-**
3 **FICIARY.**

4 (a) IN GENERAL.—Section 402(c)(11) of the Internal
5 Revenue Code of 1986 is amended by redesignating sub-
6 paragraph (B) as subparagraph (C) and by striking sub-
7 paragraph (A) and inserting the following:

8 “(A) IN GENERAL.—If—

9 “(i) any portion of a distribution at-
10 tributable to an employee is paid after the
11 death of the employee to an individual who
12 is a designated beneficiary (as defined by
13 section 401(a)(9)(E)) of the employee and
14 who is not the surviving spouse of the em-
15 ployee, and

16 “(ii) such portion is transferred or
17 paid to an individual retirement plan in a
18 transfer or payment meeting the require-
19 ments of subparagraph (B),

20 the preceding provisions of this subsection shall
21 apply to such distribution in the same manner
22 as if the designated beneficiary were the em-
23 ployee.

24 “(B) REQUIREMENTS FOR TRANSFER OF
25 DISTRIBUTION.—The requirements of this sub-

1 paragraph are met with respect to the portion
2 of any distribution if—

3 “(i) such portion is transferred or
4 paid to an individual retirement plan de-
5 scribed in clause (i) or (ii) of paragraph
6 (8)(B) established for the purposes of re-
7 ceiving the distribution on behalf of the
8 designated beneficiary,

9 “(ii) such individual retirement plan is
10 established as an inherited individual re-
11 tirement account or individual retirement
12 annuity (within the meaning of section
13 408(d)(3)(C)), whichever is applicable, and

14 “(iii) notice is provided to the trustee,
15 insurance company, or other provider of
16 the individual retirement plan that such in-
17 dividual retirement plan is being estab-
18 lished as an inherited individual retirement
19 account or individual retirement annuity.

20 Section 401(a)(9)(B) (other than clause (iv)
21 thereof) shall apply to such individual retire-
22 ment plan.”.

23 (b) ROLLOVER TREATMENT FOR INHERITED AC-
24 COUNTS.—Section 408(d)(3)(C) of the Internal Revenue

1 Code of 1986 is amended by adding at the end the fol-
2 lowing:

3 “(iii) EXCEPTION FOR QUALIFIED
4 TRANSFERS TO ANOTHER INHERITED AC-
5 COUNT.—Clause (i) shall not apply to any
6 portion of a distribution out of an inher-
7 ited individual retirement account or inher-
8 ited individual retirement annuity if such
9 portion is paid to another such individual
10 retirement plan or annuity but only if the
11 requirements of subparagraphs (A), (B),
12 and (E) of this paragraph, and the re-
13 quirements of section 402(c)(11)(B), are
14 met with respect to such transfer or pay-
15 ment.”.

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to distributions made after Decem-
18 ber 31, 2016.

19 **SEC. 104. TREATMENT OF STUDENT LOAN PAYMENTS AS**
20 **ELECTIVE DEFERRALS FOR PURPOSES OF**
21 **MATCHING CONTRIBUTIONS.**

22 (a) IN GENERAL.—Subparagraph (A) of section
23 401(m)(4) of the Internal Revenue Code of 1986 is
24 amended by striking “and” at the end of clause (i), by
25 striking the period at the end of clause (ii) and inserting

1 “, and”, and by adding at the end the following new
2 clause:

3 “(iii) subject to the requirements of
4 paragraph (13), any employer contribution
5 made to a defined contribution plan on be-
6 half of an employee on account of a quali-
7 fied student loan payment.”.

8 (b) QUALIFIED STUDENT LOAN PAYMENT.—Para-
9 graph (4) of section 401(m) of the Internal Revenue Code
10 of 1986 is amended by adding at the end the following
11 new subparagraph:

12 “(D) QUALIFIED STUDENT LOAN PAY-
13 MENT.—The term ‘qualified student loan pay-
14 ment’ means a payment made by an employee
15 in repayment of a qualified education loan (as
16 defined in section 221(d)(1)) incurred to pay
17 qualified higher education expenses (as defined
18 in section 221(d)(2)) of the employee, but
19 only—

20 “(i) to the extent such payments in
21 the aggregate for the year do not exceed
22 an amount equal to—

23 “(I) the limitation applicable
24 under section 402(g) for the year (or,
25 if lesser, the employee’s compensation

1 (as defined in section 415(c)(3)) for
2 the year), reduced by

3 “(II) the elective deferrals made
4 by the employee for such year, and

5 “(ii) if the employee provides evidence
6 of such loan and such payments to the em-
7 ployer making the matching contribution
8 under this paragraph.”.

9 (c) MATCHING CONTRIBUTIONS FOR QUALIFIED
10 STUDENT LOAN PAYMENTS.—Subsection (m) of section
11 401 of the Internal Revenue Code of 1986 is amended by
12 redesignating paragraph (13) as paragraph (14), and by
13 inserting after paragraph (12) the following new para-
14 graph:

15 “(13) MATCHING CONTRIBUTIONS FOR QUALI-
16 FIED STUDENT LOAN PAYMENTS.—

17 “(A) IN GENERAL.—For purposes of para-
18 graph (4)(A)(iii), an employer contribution
19 made to a defined contribution plan on account
20 of a qualified student loan payment shall be
21 treated as a matching contribution for purposes
22 of this title if—

23 “(i) the plan provides matching con-
24 tributions on account of elective deferrals

1 at the same rate as contributions on ac-
2 count of qualified student loan payments,

3 “(ii) the plan provides matching con-
4 tributions on account of qualified student
5 loan payments only on behalf of employees
6 otherwise eligible to make elective defer-
7 rals, and

8 “(iii) under the plan, all employees el-
9 igible to receive matching contributions on
10 account of elective deferrals are eligible to
11 receive matching contributions on account
12 of qualified student loan payments.

13 “(B) TREATMENT FOR PURPOSES OF NON-
14 DISCRIMINATION RULES, ETC.—

15 “(i) NONDISCRIMINATION RULES.—
16 For purposes of subparagraph (A)(iii),
17 subsection (a)(4), and section 410(b),
18 matching contributions described in para-
19 graph (4)(A)(iii) shall not fail to be treated
20 as available to an employee solely because
21 such employee does not have debt incurred
22 under a qualified education loan (as de-
23 fined in section 221(d)(1)).

24 “(ii) STUDENT LOAN PAYMENTS NOT
25 TREATED AS PLAN CONTRIBUTION.—EX-

1 cept as provided in clause (iii), a qualified
2 student loan payment shall not be treated
3 as a contribution to a plan under this title.

4 “(iii) MATCHING CONTRIBUTION
5 RULES.—Solely for purposes of meeting
6 the requirements of paragraph (11)(B) or
7 (12) of this subsection, or paragraph
8 (11)(B)(i)(II), (12)(B), or (13)(D) of sub-
9 section (k), a plan may treat a qualified
10 student loan payment as an elective defer-
11 ral or an elective contribution, whichever is
12 applicable.”.

13 (d) SIMPLE RETIREMENT ACCOUNTS.—Paragraph
14 (2) of section 408(p) of the Internal Revenue Code of
15 1986 is amended by adding at the end the following new
16 subparagraph:

17 “(F) MATCHING CONTRIBUTIONS FOR
18 QUALIFIED STUDENT LOAN PAYMENTS.—

19 “(i) IN GENERAL.—Subject to the
20 rules of clause (iii), an arrangement shall
21 not fail to be treated as meeting the re-
22 quirements of subparagraph (A)(iii) solely
23 because under the arrangement, solely for
24 purposes of such subparagraph, qualified
25 student loan payments are treated as

1 amounts elected by the employee under
2 subparagraph (A)(i)(I) to the extent such
3 payments do not exceed—

4 “(I) the applicable dollar amount
5 under subparagraph (E) (after appli-
6 cation of section 414(v)) for the year
7 (or, if lesser, the employee’s com-
8 pensation (as defined in section
9 415(c)(3)) for the year), reduced by

10 “(II) any other amounts elected
11 by the employee under subparagraph
12 (A)(i)(I) for the year.

13 “(ii) QUALIFIED STUDENT LOAN PAY-
14 MENT.—For purposes of this subpara-
15 graph, the term ‘qualified student loan
16 payment’ means a payment made by an
17 employee in repayment of a qualified edu-
18 cation loan (as defined in section
19 221(d)(1)) incurred to pay qualified higher
20 education expenses (as defined in section
21 221(d)(2)) of the employee, but only if the
22 employee provides evidence of such loan
23 and such payments to the employer mak-
24 ing the matching contribution.

1 “(iii) APPLICABLE RULES.—Clause (i)
2 shall apply to an arrangement only if,
3 under the arrangement—

4 “(I) matching contributions on
5 account of qualified student loan pay-
6 ments are provided only on behalf of
7 employees otherwise eligible to elect
8 contributions under subparagraph
9 (A)(i)(I), and

10 “(II) all employees otherwise eli-
11 gible to participate in the arrange-
12 ment are eligible to receive matching
13 contributions on account of qualified
14 student loan payments.”.

15 (e) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to contributions made for years
17 beginning after December 31, 2016.

18 **TITLE II—TREATMENT OF ROTH**
19 **IRAS; MINIMUM REQUIRED**
20 **DISTRIBUTION RULES**

21 **SEC. 201. SPECIAL RULES RELATING TO LARGE ROTH IRA**
22 **ACCOUNT BALANCES.**

23 (a) IN GENERAL.—

24 (1) SPECIAL RULE.—Subsection (c) of section
25 408A of the Internal Revenue Code of 1986, as

1 amended by section 102, is amended by adding at
2 the end the following new paragraph:

3 “(7) SPECIAL RULE RELATING TO LARGE ROTH
4 IRA ACCOUNT BALANCES.—

5 “(A) IN GENERAL.—No contributions may
6 be made by, or on behalf of, an individual for
7 any taxable year to 1 or more Roth IRAs to the
8 extent the aggregate amount of such contribu-
9 tions exceeds the excess (if any) of—

10 “(i) the greater of—

11 “(I) \$5,000,000, or

12 “(II) the aggregate account bal-
13 ances as of December 31, 2016, in all
14 Roth IRAs maintained for the benefit
15 of the individual, over

16 “(ii) the aggregate account balances,
17 determined as of the close of the calendar
18 year preceding the calendar year in which
19 the taxable year begins, in all Roth IRAs
20 maintained for the benefit of the indi-
21 vidual.

22 “(B) DETERMINATION OF ACCOUNT BAL-
23 ANCE.—For purposes of subparagraph (A)—

1 during a previous calendar year, the
2 amount of such contribution shall be in-
3 cluded in determining aggregate account
4 balances as of any date occurring after the
5 date of such distribution and before the
6 date of such contribution.

7 “(C) ADJUSTMENT FOR INFLATION.—In
8 the case of any taxable year beginning after De-
9 cember 31, 2017, the \$5,000,000 amount in
10 subparagraph (A)(i)(I) shall be increased by an
11 amount equal to—

12 “(i) such dollar amount, multiplied by

13 “(ii) the cost-of-living adjustment de-
14 termined under section 1(f)(3) for the cal-
15 endar year in which the taxable year be-
16 gins, determined by substituting ‘calendar
17 year 2016’ for ‘calendar year 1992’ in sub-
18 paragraph (B) thereof.

19 If any amount as increased under the preceding
20 sentence is not a multiple of \$100,000, such
21 amount shall be rounded to the nearest multiple
22 of \$100,000.”.

23 (2) TAX ON EXCESS CONTRIBUTIONS.—Sub-
24 section (f) of section 4973 of such Code is amended
25 by striking “under sections 408A (c)(2) and (c)(3)”

1 both places it appears in paragraphs (1)(B) and
2 (2)(B) and inserting “under paragraphs (2), (3),
3 and (7) of section 408A(c)”.

4 (3) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to contributions made
6 for taxable years beginning after December 31,
7 2016.

8 (b) EXCISE TAX ON CERTAIN ACCUMULATIONS IN
9 ROTH IRAS NOT DISTRIBUTED.—

10 (1) IN GENERAL.—Section 4974 of the Internal
11 Revenue Code of 1986 is amended by adding at the
12 end the following new subsection:

13 “(e) INCREASE IN MINIMUM REQUIRED DISTRIBUTI-
14 TIONS FOR PAYEES WITH LARGE ROTH IRA ACCOUNT
15 BALANCES.—

16 “(1) IN GENERAL.—If this subsection applies to
17 a payee for any taxable year—

18 “(A) all Roth IRAs of the payee taken into
19 account in computing the excess described in
20 paragraph (2)(A) shall be treated as 1 plan
21 solely for purposes of applying this section to
22 any increase in minimum required distributions
23 for the taxable year resulting from the applica-
24 tion of subparagraph (B), and

1 “(B) notwithstanding subsection (b), the
2 minimum required distributions under this sec-
3 tion for all Roth IRAs treated as 1 under sub-
4 paragraph (A) with respect to such payee for
5 the taxable year shall be the greater of—

6 “(i) 50 percent of the excess described
7 in paragraph (2)(A), or

8 “(ii) the sum of the minimum re-
9 quired distributions (determined without
10 regard to this subsection) for all such Roth
11 IRAs.

12 “(2) APPLICATION.—This subsection shall
13 apply to a payee for a taxable year—

14 “(A) if the amount determined under sec-
15 tion 408A(c)(7)(A)(ii) exceeds the amount ap-
16 plicable to the payee under section
17 408A(c)(7)(A)(i), and

18 “(B) without regard to whether amounts
19 with respect to the payee are otherwise required
20 to be distributed under subsection (a)(6) or
21 (b)(3) of section 408.

22 “(3) COORDINATION WITH MINIMUM DISTRIBU-
23 TION REQUIREMENTS.—If this subsection applies to
24 a payee for any taxable year, this section shall apply
25 first to minimum required distributions determined

1 without regard to this subsection and then to any in-
2 crease in minimum required distributions by reason
3 of this subsection.”.

4 (2) EXCEPTION FROM 10 PERCENT ADDITIONAL
5 TAX ON EARLY DISTRIBUTIONS.—Section 72(t)(2) of
6 such Code is amended by adding at the end the fol-
7 lowing new subparagraph:

8 “(H) DISTRIBUTIONS OF EXCESS BAL-
9 ANCES.—Distributions from a Roth IRA to the
10 extent such distributions are required by section
11 4974(e)(1)(B).”.

12 (3) CONFORMING AMENDMENT.—Subsection (d)
13 of section 408A of such Code is amended by adding
14 at the end the following paragraph:

15 “(8) DENIAL OF ROLLOVER TREATMENT FOR
16 REQUIRED DISTRIBUTIONS.—In applying section
17 408(d)(3)(E) to distributions from a Roth IRA, an
18 increase in the required minimum distribution under
19 section 4974(e)(1)(B) shall be treated as an amount
20 required to be distributed under subsection (a)(6) or
21 (b)(3) of section 408.”.

22 (4) EFFECTIVE DATE.—The amendments made
23 by this subsection shall apply to taxable years begin-
24 ning after December 31, 2016.

1 **SEC. 202. ELIMINATION OF ROTH CONVERSIONS.**

2 (a) ROTH IRAS.—

3 (1) QUALIFIED ROLLOVER CONTRIBUTION.—

4 Paragraph (1) of section 408A(e) of the Internal
5 Revenue Code of 1986 is amended by striking sub-
6 paragraph (B) and all that follows and inserting the
7 following:

8 “(B) from a designated Roth account
9 (within the meaning of section 402A).”.

10 (2) ELIMINATION OF CONVERSIONS.—

11 (A) IN GENERAL.—Subsection (d) of sec-
12 tion 408A of such Code, as amended by section
13 201, is amended by striking paragraph (3) and
14 by redesignating paragraphs (4), (5), (6), (7),
15 and (8) as paragraphs (3), (4), (5), (6), and
16 (7), respectively.

17 (B) CONFORMING AMENDMENT.—Para-
18 graph (3)(B)(ii) of section 408A(d) of such
19 Code, as so redesignated, is amended by insert-
20 ing “(as in effect before the amendments made
21 by the Retirement Improvements and Savings
22 Enhancements Act of 2016)” after “paragraph
23 (3)” both places it appears.

24 (b) DESIGNATED ROTH ACCOUNTS.—Subsection (c)
25 of section 402A of the Internal Revenue Code of 1986 is
26 amended by striking paragraph (4).

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to distributions, transfers, and con-
3 tributions made in years beginning after December 31,
4 2016.

5 **SEC. 203. APPLICATION OF LIFETIME REQUIRED MINIMUM**
6 **DISTRIBUTION RULES TO ROTH IRAS.**

7 (a) IN GENERAL.—Subsection (c) of section 408A of
8 the Internal Revenue Code of 1986, as amended by sec-
9 tions 102 and 201, is amended by striking paragraph (4)
10 and by redesignating paragraphs (5), (6), and (7) as para-
11 graphs (4), (5), and (6), respectively.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Subsection (f) of section 4973 of the Inter-
14 nal Revenue Code of 1986, as amended by section
15 201, is amended by striking “and (7)” both places
16 it appears in paragraphs (1)(B) and (2)(B) and in-
17 serting “and (6)”.

18 (2) Subsection (e)(2)(A) of section 4974 of
19 such Code, as added by section 201, is amended—

20 (A) by striking “408A(c)(7)(A)(ii)” and in-
21 serting “408A(c)(6)(A)(ii)”, and

22 (B) by striking “408A(c)(7)(A)(i)” and in-
23 serting “408A(c)(6)(A)(i)”.

24 (c) EFFECTIVE DATE.—

1 (1) IN GENERAL.—Except as provided in para-
2 graph (2), the amendments made by this section
3 shall apply to years beginning after December 31,
4 2016.

5 (2) EXCEPTION.—The amendments made by
6 this section shall not apply with respect to any tax-
7 payer who attains age 70½ on or before December
8 31, 2016.

9 **SEC. 204. INCREASE IN AGE FOR REQUIRED BEGINNING**
10 **DATE.**

11 (a) INCREASE IN AGE FOR REQUIRED BEGINNING
12 DATE.—

13 (1) IN GENERAL.—Subclause (I) of section
14 401(a)(9)(C)(i) of the Internal Revenue Code of
15 1986 is amended to read as follows:

16 “(I) the first calendar year in
17 which the employee attains the appli-
18 cable age for such calendar year, or”.

19 (2) SPECIAL RULE FOR OWNERS.—Subclause
20 (I) of section 401(a)(9)(C)(ii) of such Code is
21 amended by striking “in which the employee attains
22 age 70½” and inserting “described in clause (i)(I)
23 with respect to the employee”.

24 (b) MANDATORY DISTRIBUTION AGE.—Paragraph
25 (9) of section 401(a) of the Internal Revenue Code of

1 1986 is amended by inserting at the end the following new
2 subparagraph:

3 “(H) APPLICABLE AGE.—For purposes of
4 this paragraph—

5 “(i) IN GENERAL.—The applicable age
6 is—

7 “(I) for calendar years before
8 2018, age 70¹/₂,

9 “(II) for calendar years 2018,
10 2019, 2020, 2021, and 2022, age 71,

11 “(III) for calendar years 2023,
12 2024, 2025, 2026, and 2027, age 72,

13 “(IV) for calendar year 2028,
14 age 73, and

15 “(V) for calendar years after
16 2028, the age as adjusted under
17 clause (ii).

18 “(ii) ADJUSTMENT.—The Secretary
19 shall adjust the age under clause (i)(IV)
20 for calendar year 2029 and each suc-
21 ceeding calendar year in a manner propor-
22 tional to increases in the life expectancy of
23 an individual who attained age 73 in the
24 calendar year preceding the calendar year
25 for which the adjustment is being made as

1 compared to the life expectancy of an indi-
2 vidual who attained age 73 in 2027. The
3 applicable age for any calendar year as ad-
4 justed under this clause—

5 “(I) shall be applicable only with
6 respect to employees whose required
7 beginning date has not occurred as of
8 December 31 of the year preceding
9 such year, and

10 “(II) shall be rounded to the next
11 lowest whole number.

12 “(iii) LIFE EXPECTANCIES.—The life
13 expectancies under clause (ii) shall be de-
14 termined on a unisex basis in accordance
15 with life expectancies underlying the tables
16 described in section 430(h)(3)(A).”.

17 (c) SPOUSE BENEFICIARIES.—Subclause (I) of sec-
18 tion 401(a)(9)(B)(iv) of the Internal Revenue Code of
19 1986 is amended by striking “age 70½” and inserting
20 “the applicable age”.

21 (d) CONFORMING AMENDMENT.—Subsection (b) of
22 section 408 of such Code is amended by striking “age
23 70½” and inserting “the applicable age determined under
24 section 401(a)(9)(H) with respect to such individual”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to calendar years beginning after
3 December 31, 2016.

4 **SEC. 205. EXCEPTION FROM REQUIRED DISTRIBUTIONS**
5 **WHERE AGGREGATE RETIREMENT SAVINGS**
6 **DO NOT EXCEED \$150,000.**

7 (a) IN GENERAL.—Section 401(a)(9) of the Internal
8 Revenue Code of 1986, as amended by section 204, is
9 amended by adding at the end the following new subpara-
10 graph:

11 “(I) EXCEPTION FROM REQUIRED MIN-
12 IMUM DISTRIBUTIONS DURING LIFE OF EM-
13 PLOYEE OR BENEFICIARY WHERE ASSETS DO
14 NOT EXCEED \$150,000.—

15 “(i) IN GENERAL.—If, as of a meas-
16 urement date, the aggregate value of the
17 entire interest of an employee under all ap-
18 plicable eligible retirement plans does not
19 exceed \$150,000, then, during any suc-
20 ceeding calendar year beginning before the
21 next measurement date—

22 “(I) the requirements of subpara-
23 graph (A) shall not apply to the em-
24 ployee, and

1 “(II) the requirements of sub-
2 paragraph (B) shall not apply to the
3 employee’s designated beneficiary with
4 respect to the designated beneficiary’s
5 interest in the interest of the deceased
6 employee.

7 “(ii) APPLICABLE ELIGIBLE RETIRE-
8 MENT PLAN.—For purposes of this sub-
9 paragraph, the term ‘applicable eligible re-
10 tirement plan’ means an eligible retirement
11 plan (as defined in section 402(c)(8)(B))
12 and any other plan, contract, or arrange-
13 ment to which the requirements of this
14 paragraph apply.

15 “(iii) SPECIAL RULE FOR BENEFITS
16 PAID AS A LIFE ANNUITY FROM DEFINED
17 BENEFIT PLAN.—In determining the ag-
18 gregate value under clause (i), there shall
19 not be taken into account the value of any
20 benefits under a defined benefit plan that,
21 on the measurement date, are being paid
22 as a life annuity.

23 “(iv) MEASUREMENT DATE.—

24 “(I) INITIAL MEASUREMENT
25 DATES.—The initial measurement

1 date for an employee is the last day of
2 the calendar year preceding the earlier
3 of—

4 “(aa) the calendar year in
5 which the employee attains the
6 applicable age, or

7 “(bb) the calendar year in
8 which the employee dies.

9 “(II) SUBSEQUENT MEASURE-
10 MENT DATES.—If, in a calendar year,
11 an employee to whom subparagraph
12 (A) or (B) does not apply by reason
13 of clause (i) receives contributions,
14 rollovers, or transfers of amounts, or
15 accrues additional benefits under a
16 defined benefit plan, that were not
17 previously taken into account in ap-
18 plying this subparagraph, then the
19 last day of that calendar year shall be
20 a new measurement date and a new
21 determination shall be made as to
22 whether clause (i) applies to such em-
23 ployee.

24 “(v) DETERMINATION OF VALUE.—

25 For purposes of this subparagraph—

1 “(I) IN GENERAL.—Except as
2 provided in subclause (II), the value
3 of an employee’s interest in a plan is
4 the account balance of such plan.

5 “(II) DEFINED BENEFIT
6 PLANS.—The value of defined benefit
7 plan benefits shall be determined in
8 accordance with the applicable inter-
9 est rate and applicable mortality rate
10 assumptions under section 417(e), ex-
11 cept that the value shall be equal to
12 the amount of the single sum payment
13 payable to the extent available under
14 the plan.

15 “(vi) PHASE-OUT OF EXCEPTION.—In
16 the case of an employee whose aggregate
17 balance described in clause (i) as of a
18 measurement date exceeds the dollar
19 amount in effect under such clause by less
20 than \$10,000, the required distributions
21 under this paragraph for calendar years
22 beginning after such measurement date
23 and before the next measurement date
24 shall be equal to the amount which bears
25 the same ratio to the required distributions

1 otherwise determined under this paragraph
2 as—

3 “(I) the amount by which such
4 aggregate balance exceeds such dollar
5 amount so in effect, bears to

6 “(II) \$10,000.

7 “(vii) COST OF LIVING ADJUST-
8 MENTS.—The Secretary shall adjust annu-
9 ally the \$150,000 amount specified in
10 clause (i) for increases in the cost-of-living
11 at the same time and in the same manner
12 as adjustments under section 415(d); ex-
13 cept that the base period shall be the cal-
14 endar quarter beginning July 1, 2016, and
15 any increase which is not a multiple of
16 \$5,000 shall be rounded to the next lowest
17 multiple of \$5,000.”.

18 (b) EFFECTIVE DATE.—The amendment made by
19 this section shall apply to initial measurement dates occur-
20 ring on or after December 31, 2016.

21 **SEC. 206. MODIFICATIONS OF REQUIRED DISTRIBUTION**

22 **RULES FOR RETIREMENT PLANS.**

23 (a) MODIFICATION OF RULES WHERE EMPLOYEE
24 DIES BEFORE ENTIRE DISTRIBUTION.—

1 (1) IN GENERAL.—Section 401(a)(9)(B) of the
2 Internal Revenue Code of 1986, as amended by sec-
3 tion 204, is amended to read as follows:

4 “(B) REQUIRED DISTRIBUTIONS WHERE
5 EMPLOYEE DIES BEFORE ENTIRE INTEREST IS
6 DISTRIBUTED.—

7 “(i) 5-YEAR GENERAL RULE.—A trust
8 shall not constitute a qualified trust under
9 this subsection unless the plan provides
10 that, if an employee dies before the dis-
11 tribution of the employee’s entire interest
12 (whether or not such distribution has
13 begun in accordance with subparagraph
14 (A)), any remaining portion of the interest
15 of the employee will be distributed within
16 5 years after the death of such employee.

17 “(ii) EXCEPTION FOR ELIGIBLE DES-
18 IGNATED BENEFICIARIES.—If—

19 “(I) any portion of the employ-
20 ee’s interest is payable to (or for the
21 benefit of) an eligible designated bene-
22 ficiary,

23 “(II) such portion will be distrib-
24 uted (in accordance with regulations)
25 over the life of such eligible des-

1 ignated beneficiary (or over a period
2 not extending beyond the life expect-
3 ancy of such beneficiary), and

4 “(III) such distributions begin
5 not later than 1 year after the date of
6 the employee’s death or such later
7 date as the Secretary may by regula-
8 tions prescribe,

9 then, for purposes of clause (i) and except
10 as provided in clause (iv) or subparagraph
11 (E)(iii), the portion referred to in sub-
12 clause (I) shall be treated as distributed on
13 the date on which such distributions begin.

14 “(iii) SPECIAL RULE FOR SURVIVING
15 SPOUSE OF EMPLOYEE.—If the eligible
16 designated beneficiary referred to in clause
17 (ii)(I) is the surviving spouse of the em-
18 ployee—

19 “(I) the date on which the dis-
20 tributions are required to begin under
21 clause (ii)(III) shall not be earlier
22 than the date on which the employee
23 would have attained the applicable
24 age, and

1 individual designated as a beneficiary by
2 the employee.

3 “(ii) ELIGIBLE DESIGNATED BENE-
4 FICIARY.—The term ‘eligible designated
5 beneficiary’ means, with respect to any em-
6 ployee, any designated beneficiary who is—

7 “(I) the surviving spouse of the
8 employee,

9 “(II) subject to clause (iii), a
10 child of the employee who has not
11 reached majority (within the meaning
12 of subparagraph (F)),

13 “(III) disabled (within the mean-
14 ing of section 72(m)(7)),

15 “(IV) a chronically ill individual
16 (within the meaning of section
17 7702B(c)(2), except that the require-
18 ments of subparagraph (A)(i) thereof
19 shall only be treated as met if there is
20 a certification that, as of such date,
21 the period of inability described in
22 such subparagraph with respect to the
23 individual is an indefinite one that is
24 reasonably expected to be lengthy in
25 nature), or

1 “(V) an individual not described
2 in any of the preceding subclauses
3 who is not more than 10 years young-
4 er than the employee.

5 “(iii) SPECIAL RULE FOR CHIL-
6 DREN.—Subject to subparagraph (F), an
7 individual described in clause (ii)(II) shall
8 cease to be an eligible designated bene-
9 ficiary as of the date the individual reaches
10 majority, and any remainder of the portion
11 of the interest described in subparagraph
12 (B)(ii) shall be distributed within 5 years
13 after such date.

14 “(iv) TIME FOR DETERMINATION OF
15 ELIGIBLE DESIGNATED BENEFICIARY.—

16 “(I) IN GENERAL.—Except as
17 provided in clause (iii) and subclause
18 (II), the determination of whether a
19 designated beneficiary is an eligible
20 designated beneficiary shall be made
21 as of the date of death of the em-
22 ployee.

23 “(II) EXCEPTION.—If the dis-
24 tribution of an employee’s entire in-
25 terest has begun in accordance with

1 subparagraph (A)(ii) before the death
2 of the employee in the form of a joint
3 and survivor annuity, such determina-
4 tion shall be made as of the annuity
5 starting date or such other date as
6 the Secretary may by regulations pre-
7 scribe.”.

8 (3) CONFORMING AMENDMENT.—The last sen-
9 tence of section 402(c)(11)(B) of the Internal Rev-
10 enue Code of 1986, as added by section 103, is
11 amended by striking “clause (iv)” and inserting
12 “clause (iii)”.

13 (4) EFFECTIVE DATES.—

14 (A) IN GENERAL.—Except as provided in
15 this paragraph and paragraphs (5) and (6), the
16 amendments made by this subsection shall
17 apply for purposes of determining minimum re-
18 quired distributions with respect to employees
19 who die after December 31, 2016.

20 (B) COLLECTIVE BARGAINING EXCEP-
21 TION.—In the case of a plan maintained pursu-
22 ant to 1 or more collective bargaining agree-
23 ments between employee representatives and 1
24 or more employers ratified before the date of
25 enactment of this Act, the amendments made

1 by this subsection shall apply to distributions
2 with respect to employees who die in calendar
3 years beginning after the earlier of—

4 (i) the later of—

5 (I) the date on which the last of
6 such collective bargaining agreements
7 terminates (determined without re-
8 gard to any extension thereof agreed
9 to on or after the date of the enact-
10 ment of this Act), or

11 (II) December 31, 2016, or

12 (ii) December 31, 2018.

13 For purposes of clause (i)(I), any plan amend-
14 ment made pursuant to a collective bargaining
15 agreement relating to the plan which amends
16 the plan solely to conform to any requirement
17 added by this section shall not be treated as a
18 termination of such collective bargaining agree-
19 ment.

20 (C) GOVERNMENTAL PLANS.—In the case
21 of a governmental plan (as defined in section
22 414(d) of the Internal Revenue Code of 1986),
23 subparagraph (A) shall be applied by sub-
24 stituting “December 31, 2018” for “December
25 31, 2016”.

1 (5) EXCEPTION FOR CERTAIN EXISTING ANNU-
2 ITY CONTRACTS.—

3 (A) IN GENERAL.—The amendments made
4 by this subsection shall not apply to a qualified
5 annuity which is a binding annuity contract in
6 effect on the date of enactment of this Act and
7 at all times thereafter.

8 (B) QUALIFIED ANNUITY.—For purposes
9 of this paragraph, the term “qualified annuity”
10 means, with respect to an employee, an annu-
11 ity—

12 (i) which is a commercial annuity (as
13 defined in section 3405(e)(6) of the Inter-
14 nal Revenue Code of 1986) or payable by
15 a defined benefit plan,

16 (ii) under which the annuity payments
17 are made over the life of the employee or
18 over the joint lives of such employee and a
19 designated beneficiary (or over a period
20 not extending beyond the life expectancy of
21 such employee or the joint life expectancy
22 of such employee and a designated bene-
23 ficiary) in accordance with the regulations
24 described in section 401(a)(9)(A)(ii) of
25 such Code (as in effect before such amend-

1 ments) and which meets the other require-
2 ments of section 401(a)(9) of such Code
3 (as so in effect) with respect to such pay-
4 ments, and

5 (iii) with respect to which—

6 (I) annuity payments to the em-
7 ployee have begun before the date of
8 enactment of this Act, and the em-
9 ployee has made an irrevocable elec-
10 tion before such date as to the method
11 and amount of the annuity payments
12 to the employee or any designated
13 beneficiaries, or

14 (II) if subclause (I) does not
15 apply, the employee has made an ir-
16 revocable election before the date of
17 enactment of this Act as to the meth-
18 od and amount of the annuity pay-
19 ments to the employee or any des-
20 ignated beneficiaries.

21 (6) OTHER SPECIAL RULES RELATING TO EF-
22 FECTIVE DATES.—

23 (A) EXCEPTION FOR CERTAIN BENE-
24 FICIARIES.—If an employee dies before the ap-
25 plicable effective date, then, in applying the

1 amendments made by this subsection to such
2 employee's designated beneficiary who dies after
3 such date—

4 (i) such amendments shall apply to
5 any beneficiary of such designated bene-
6 ficiary, and

7 (ii) the designated beneficiary shall be
8 treated as an eligible designated bene-
9 ficiary for purposes of applying section
10 401(a)(9)(B)(iv) of the Internal Revenue
11 Code of 1986 (as in effect after such
12 amendments).

13 (B) APPLICATION OF ROLLOVER RULES
14 FOR PLANS WITH DELAYED EFFECTIVE
15 DATES.—If an employee who is a participant of
16 a plan to which subparagraph (B) or (C) of
17 paragraph (4) applies dies during the transition
18 period, then, notwithstanding either such sub-
19 paragraph—

20 (i) section 402(c)(11) of such Code
21 shall not apply to any distribution on be-
22 half of any designated beneficiary of the
23 employee who is not an eligible designated
24 beneficiary under section 401(a)(9)(E)(ii)
25 of such Code (as in effect after the amend-

1 ments made by this subsection and without
2 regard to subparagraph (A)) which is
3 made more than 4 years after the date of
4 death of the employee, and

5 (ii) section 401(a)(9) of such Code (as
6 in effect after such amendments) shall
7 apply to any inherited individual retire-
8 ment account or individual retirement an-
9 nuity to which a rollover contribution is
10 made with respect to any distribution de-
11 scribed in clause (i) made during such 4-
12 year period.

13 (C) DEFINITIONS.—For purposes of this
14 paragraph—

15 (i) APPLICABLE EFFECTIVE DATE.—
16 The term “applicable effective date” means
17 the first day of the first calendar year to
18 which the amendments made by this sub-
19 section apply under paragraph (4) to a
20 plan with respect to employees dying on or
21 after such date.

22 (ii) TRANSITION PERIOD.—In the case
23 of a plan to which subparagraph (B) or
24 (C) of paragraph (4) applies, the transition
25 period is the period beginning on the appli-

1 cable effective date for plans other than
2 plans to which either such subparagraph
3 applies and ending on the day before the
4 applicable effective date for such plan.

5 (b) REQUIRED BEGINNING DATE.—

6 (1) IN GENERAL.—Section 401(a)(9)(C) of the
7 Internal Revenue Code of 1986, as amended by sec-
8 tion 204, is amended by adding at the end the fol-
9 lowing new clause:

10 “(v) EMPLOYEES BECOMING 5-PER-
11 CENT OWNERS AFTER APPLICABLE AGE.—
12 If an employee becomes a 5-percent owner
13 (as defined in section 416) with respect to
14 a plan year ending in a calendar year after
15 the calendar year described in clause (i)(I)
16 with respect to the employee, then clause
17 (i)(II) shall be applied by substituting the
18 calendar year in which the employee be-
19 came such an owner for the calendar year
20 in which the employee retires.”.

21 (2) EFFECTIVE DATES.—

22 (A) IN GENERAL.—The amendment made
23 by this subsection shall apply to employees be-
24 coming a 5-percent owner with respect to plan
25 years ending in calendar years beginning before,

1 on, or after the date of the enactment of this
2 Act.

3 (B) SPECIAL RULE.—If—

4 (i) an employee became a 5-percent
5 owner with respect to a plan year ending
6 in a calendar year which began before Jan-
7 uary 1, 2017, and

8 (ii) the employee has not retired be-
9 fore January 1, 2017,

10 such employee shall be treated as having be-
11 come a 5-percent owner with respect to a plan
12 year ending in calendar year 2017 for purposes
13 of applying section 401(a)(9)(C)(v) of the Inter-
14 nal Revenue Code of 1986 (as added by the
15 amendment made by this subsection).

16 (c) COORDINATION WITH LIMITATIONS ON ACCELER-
17 ATED BENEFIT DISTRIBUTIONS.—

18 (1) IN GENERAL.—Section 401(a)(9) of the In-
19 ternal Revenue Code of 1986, as amended by this
20 Act, is amended by adding at the end the following
21 new subparagraph:

22 “(J) COORDINATION WITH BENEFIT DIS-
23 TRIBUTION LIMITATIONS UNDER SECTION
24 436.—If—

1 “(i) a distribution is required to be
2 made to an employee or beneficiary under
3 this paragraph after the valuation date for
4 a plan year, and

5 “(ii) any limitation under section
6 436(d) is applicable to such employee or
7 beneficiary for the plan year,

8 then the distribution shall not exceed the max-
9 imum payment allowable for the plan year
10 under such limitation. The Secretary shall pre-
11 scribe regulations for the application of this
12 paragraph, including regulations providing for
13 the application of this paragraph to plan years
14 after such limitation ceases to apply.”.

15 (2) EFFECTIVE DATE.—

16 (A) IN GENERAL.—The amendment made
17 by this subsection shall apply to plan years be-
18 ginning after December 31, 2016.

19 (B) NO INFERENCE.—Nothing contained
20 in this subsection or the amendments made by
21 this subsection shall be construed to create any
22 inference as to the proper coordination between
23 sections 401(a)(9) and 436 of the Internal Rev-
24 enue Code for plan years beginning before Jan-
25 uary 1, 2017.

1 (d) PROVISIONS RELATING TO PLAN AMEND-
2 MENTS.—

3 (1) IN GENERAL.—If this subsection applies to
4 any plan or contract amendment—

5 (A) such plan or contract shall be treated
6 as being operated in accordance with the terms
7 of the plan during the period described in para-
8 graph (2)(B)(i), and

9 (B) except as provided by the Secretary of
10 the Treasury, such plan shall not fail to meet
11 the requirements of section 411(d)(6) of the In-
12 ternal Revenue Code of 1986 and section
13 204(g) of the Employee Retirement Income Se-
14 curity Act of 1974 by reason of such amend-
15 ment.

16 (2) AMENDMENTS TO WHICH SUBSECTION AP-
17 PLIES.—

18 (A) IN GENERAL.—This subsection shall
19 apply to any amendment to any plan or annuity
20 contract which is made—

21 (i) pursuant to any amendment made
22 by this section or pursuant to any regula-
23 tion issued by the Secretary of the Treas-
24 ury under this section or such amend-
25 ments, and

1 (ii) on or before the last day of the
2 first plan year beginning after December
3 31, 2018, or such later date as the Sec-
4 retary of the Treasury may prescribe.

5 In the case of a governmental or collectively
6 bargained plan to which subparagraph (B) or
7 (C) of subsection (a)(4) applies, clause (ii) shall
8 be applied by substituting the date which is 2
9 years after the date otherwise applied under
10 such clause.

11 (B) CONDITIONS.—This subsection shall
12 not apply to any amendment unless—

13 (i) during the period—

14 (I) beginning on the date the leg-
15 islative or regulatory amendment de-
16 scribed in paragraph (1)(A) takes ef-
17 fect (or in the case of a plan or con-
18 tract amendment not required by such
19 legislative or regulatory amendment,
20 the effective date specified in such
21 amendment), and

22 (II) ending on the date described
23 in subparagraph (A)(ii) (or, if earlier,
24 the date the plan or contract amend-
25 ment is adopted),

1 the plan or contract is operated as if such
2 plan or contract amendment were in effect;
3 and

4 (ii) such plan or contract amendment
5 applies retroactively for such period.

6 **TITLE III—ANTI-ABUSE RULES**
7 **RELATING TO IRAS**

8 **SEC. 301. VALUATION OF IRA INVESTMENT ASSETS.**

9 (a) IN GENERAL.—Subsection (a) of section 408 of
10 the Internal Revenue Code of 1986 is amended by adding
11 at the end the following new paragraph:

12 “(7) No part of the trust funds will be invested
13 in any asset acquired for less than fair market value.
14 For purposes of this paragraph, the term ‘fair mar-
15 ket value’ means—

16 “(A) in the case of any security, including
17 a foreign security, for which there is a generally
18 recognized market—

19 “(i) the price of the security pre-
20 vailing (as of the date of the acquisition of
21 the security by the trust) on a recognized
22 foreign, national, or regional exchange or
23 over-the-counter market in which
24 quotations are published on a daily basis,
25 or

1 “(ii) a price not more favorable to the
2 trust than the offering price for the secu-
3 rity established by the bid and ask prices
4 quoted as of the date of the acquisition by
5 persons independent of the individual for
6 whose benefit the individual retirement ac-
7 count is established,

8 “(B) in the case of any security issued by
9 an investment company registered under the In-
10 vestment Company Act of 1940 which is not
11 traded on a securities exchange, the price re-
12 ported by such investment company,

13 “(C) in the case of any security or other
14 instrument issued by a bank or an insurance
15 company subject to supervision or periodic ex-
16 amination by a Federal or State authority, the
17 price at which such security or other instru-
18 ment is offered publicly for sale in the ordinary
19 course of the business of such bank or insur-
20 ance company, and

21 “(D) in the case of any other asset, the
22 value as determined under subsection (r).”.

23 (b) VALUATION REQUIREMENTS.—Section 408 of the
24 Internal Revenue Code of 1986 is amended by redesignig-

1 nating subsection (r) as subsection (s) and by inserting
2 after subsection (q) the following new subsection:

3 “(r) VALUATION REQUIREMENTS.—For purposes of
4 subsection (a)(7)—

5 “(1) IN GENERAL.—The fair market value of
6 any asset described in subparagraph (D) of sub-
7 section (a)(7) shall be determined by means of a
8 qualified appraisal (within the meaning of section
9 170(f)(11)(E)), except as otherwise provided in reg-
10 ulations prescribed by the Secretary.

11 “(2) INFORMATION REQUIRED.—The individual
12 for whose benefit the individual retirement account
13 is maintained shall include on the individual’s return
14 of tax for the taxable year in which any asset de-
15 scribed in subparagraph (D) of subsection (a)(7) is
16 acquired such information as the Secretary may re-
17 quire. Such requirement may include a description of
18 the property and the name, title, business address,
19 and taxpayer identifying number of the qualified ap-
20 praiser (within the meaning of section
21 170(f)(11)(E)(ii)) who conducted the appraisal.

22 “(3) GRANT OF AUTHORITY.—The Secretary
23 may issue such regulations or guidance as the Sec-
24 retary determines appropriate to provide rules for
25 valuation of assets for purposes of this paragraph

1 and for simplified methods of compliance with the
2 requirements of this paragraph.”.

3 (c) LOSS OF EXEMPTION OF ACCOUNT.—Paragraph
4 (2) of section 408(e) of the Internal Revenue Code of 1986
5 is amended—

6 (1) by redesignating subparagraph (B) as sub-
7 paragraph (C),

8 (2) by inserting after subparagraph (A) the fol-
9 lowing new subparagraph:

10 “(B) PROHIBITED INVESTMENT.—If, dur-
11 ing any taxable year of the individual for whose
12 benefit any individual retirement account is
13 maintained, the investment of any part of the
14 funds of such individual retirement account
15 does not comply with subsection (a)(7), such
16 account ceases to be an individual retirement
17 account as of the first day of such taxable year.
18 Rules similar to the rules of clauses (i) and (ii)
19 of subparagraph (A) shall apply for purposes of
20 this subparagraph.”,

21 (3) by striking “WHERE EMPLOYEE ENGAGES
22 IN PROHIBITED TRANSACTION” in the heading and
23 inserting “IN CASE OF CERTAIN PROHIBITED TRANS-
24 ACTIONS AND INVESTMENTS”,

1 (4) by striking “IN GENERAL” in the heading of
2 subparagraph (A) and inserting “EMPLOYEE EN-
3 GAGING IN PROHIBITED TRANSACTION”, and

4 (5) by striking “(A)” in subparagraph (C), as
5 so redesignated, and inserting “(A) or (B)”.

6 (d) CONFORMING AMENDMENTS.—

7 (1) Paragraph (1) of section 408(c) of the In-
8 ternal Revenue Code of 1986 is amended by striking
9 “(1) through (6)” and inserting “(1) through (7)”.

10 (2) Paragraph (3) of section 4975(c) of such
11 Code is amended—

12 (A) by striking “transaction” both places
13 it appears and inserting “transaction or invest-
14 ment”, and

15 (B) by striking “section 408(e)(2)(A)” and
16 inserting “subparagraph (A) or (B) of section
17 408(e)(2)”.

18 (e) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2017.

21 **SEC. 302. STATUTE OF LIMITATIONS WITH RESPECT TO IRA**
22 **NONCOMPLIANCE.**

23 (a) IN GENERAL.—Subsection (c) of section 6501 of
24 the Internal Revenue Code of 1986 is amended by adding
25 at the end the following new paragraph:

1 “(12) NONCOMPLIANCE RELATING TO AN INDI-
2 VIDUAL RETIREMENT PLAN.—

3 “(A) MISREPORTING.—In the case of any
4 substantial error (willful or otherwise) in the re-
5 porting on a return of any information relating
6 to the valuation of investment assets with re-
7 spect to an individual retirement plan, the time
8 for assessment of any tax imposed by this title
9 with respect to such plan shall not expire before
10 the date which is 6 years after the return con-
11 taining such error was filed (whether or not
12 such return was filed on or after the date pre-
13 scribed).

14 “(B) PROHIBITED TRANSACTIONS.—The
15 time for assessment of any tax imposed by sec-
16 tion 4975 shall not expire before the date which
17 is 6 years after the return was filed (whether
18 or not such return was filed on or after the
19 date prescribed).”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 this section shall apply to taxes with respect to which the
22 3-year period under section 6501(a) of the Internal Rev-
23 enue Code of 1986 (without regard to the amendment
24 made by this section) ends after December 31, 2016.

1 **SEC. 303. PROHIBITION OF INVESTMENT OF IRA ASSETS IN**
2 **ENTITIES IN WHICH THE OWNER HAS A SUB-**
3 **STANTIAL INTEREST.**

4 (a) IN GENERAL.—Subsection (a) of section 408 of
5 the Internal Revenue Code of 1986, as amended by this
6 Act, is amended by adding at the end the following new
7 paragraph:

8 “(8) No part of the trust funds will be invested
9 in a corporation, partnership or other unincor-
10 porated enterprise, or trust or estate of which (or in
11 which) 10 percent or more of—

12 “(A) the combined voting power of all
13 classes of stock entitled to vote or the total
14 value of shares of all classes of stock of such
15 corporation,

16 “(B) the capital interest or profits interest
17 of such partnership or enterprise, or

18 “(C) the beneficial interest of such trust or
19 estate,

20 is owned (directly or indirectly) or held by the indi-
21 vidual on whose behalf the trust is maintained. For
22 purposes of the preceding sentence, the constructive
23 ownership rules of paragraphs (4) and (5) of section
24 4975(e) shall apply, and any asset or interest held
25 by the trust shall be treated as held by the indi-
26 vidual described in such sentence.”.

1 (b) LOSS OF EXEMPTION OF ACCOUNT.—Subpara-
2 graph (B) of section 408(e)(2) of the Internal Revenue
3 Code of 1986, as added by this Act, is amended by striking
4 “(a)(7)” and inserting “(a)(7) or (a)(8)”.

5 (c) CONFORMING AMENDMENT.—Paragraph (1) of
6 section 408(c) of the Internal Revenue Code of 1986, as
7 amended by this Act, is amended by striking “(1) through
8 (7)” and inserting “(1) through (8)”.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to investments made in taxable
11 years beginning after December 31, 2016.

12 **SEC. 304. IRA OWNERS TREATED AS DISQUALIFIED PER-**
13 **SONS FOR PURPOSES OF PROHIBITED**
14 **TRANSACTIONS RULES.**

15 (a) IN GENERAL.—Paragraph (2) of section 4975(e)
16 of the Internal Revenue Code of 1986 is amended—

17 (1) by striking “or” at the end of subparagraph
18 (H),

19 (2) by striking the period at the end of sub-
20 paragraph (I) and inserting “; or”,

21 (3) by inserting after subparagraph (I) the fol-
22 lowing new subparagraph:

23 “(J) the individual for whose benefit a
24 plan described in subparagraph (B) or (C) of
25 paragraph (1) is maintained.”,

1 (4) by striking “or (E)” both places it appears
2 in subparagraphs (F) and (G) and inserting “(E), or
3 (J) (in the case of a plan described in subparagraph
4 (B) or (C) of paragraph (1))”,

5 (5) by striking “or (G)” in subparagraph (I)
6 and inserting “(G), or (J) (in the case of a plan de-
7 scribed in subparagraph (B) or (C) of paragraph
8 (1))”, and

9 (6) by adding at the end the following: “For
10 purposes of subparagraphs (G) and (I), any asset or
11 interest held by a plan described in subparagraph
12 (B) or (C) of paragraph (1) shall be treated as
13 owned by the individual described in subparagraph
14 (J) with respect to such plan.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Subparagraph (A) of section 408(e)(2) of
17 the Internal Revenue Code of 1986 is amended to
18 read as follows:

19 “(A) EMPLOYEE ENGAGING IN PROHIB-
20 ITED TRANSACTION.—If, during any taxable
21 year of the individual for whose benefit any in-
22 dividual retirement account is maintained, that
23 individual engages in any transaction prohibited
24 by section 4975 with respect to such account,
25 such account ceases to be an individual retire-

1 ment account as of the first day of such taxable
2 year. For purposes of this paragraph, the sepa-
3 rate account for the benefit of any individual
4 within an individual retirement account main-
5 tained by an employer or association of employ-
6 ees is treated as a separate individual retire-
7 ment account.”.

8 (2) Subparagraph (B) of section 408(e)(2) of
9 such Code, as added by section 301, is amended by
10 striking “clauses (i) and (ii)” and inserting “the sec-
11 ond sentence”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to transactions occurring after De-
14 cember 31, 2016.