

119TH CONGRESS
2D SESSION

S. _____

To amend the Internal Revenue Code of 1986 to impose limitations on high-income taxpayers with large retirement account balances.

IN THE SENATE OF THE UNITED STATES

Mr. WYDEN 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 impose limitations on high-income taxpayers with large retirement account balances.

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. CONTRIBUTION LIMIT FOR INDIVIDUAL RE-**
4 **TIREMENT PLANS OF HIGH-INCOME TAX-**
5 **PAYERS WITH LARGE ACCOUNT BALANCES.**

6 (a) CONTRIBUTION LIMIT.—

7 (1) IN GENERAL.—Subpart A of part I of sub-
8 chapter D of chapter 1 of the Internal Revenue Code
9 of 1986 is amended by adding at the end the fol-
10 lowing:

1 **“SEC. 409B. CONTRIBUTION LIMIT ON INDIVIDUAL RETIRE-**
2 **MENT PLANS OF HIGH-INCOME TAXPAYERS**
3 **WITH LARGE ACCOUNT BALANCES.**

4 “(a) GENERAL RULE.—Notwithstanding any other
5 provision of this title, in the case of an individual who is
6 an applicable taxpayer for any taxable year, no applicable
7 annual contributions for such taxable year shall be made
8 by, or on behalf of, such individual to any individual retire-
9 ment plan to the extent such applicable annual contribu-
10 tions exceed the excess (if any) of—

11 “(1) the applicable dollar amount for such tax-
12 able year, over

13 “(2) the aggregate vested balances to the credit
14 of the individual (whether as a participant, owner, or
15 beneficiary) in all applicable retirement plans (deter-
16 mined as of the close of the calendar year preceding
17 the calendar year in which such taxable year begins).

18 “(b) DEFINITIONS AND SPECIAL RULES.—For pur-
19 poses of this section—

20 “(1) APPLICABLE ANNUAL CONTRIBUTION.—

21 “(A) IN GENERAL.—Except as provided in
22 this paragraph, the term ‘applicable annual
23 contribution’ means any contribution to an indi-
24 vidual retirement plan.

25 “(B) CONTRIBUTIONS TO SEP AND SIMPLE
26 PLANS.—In the case of any employer or em-

1 ployee contributions by, or on behalf of, an indi-
2 vidual to a simplified employee pension under
3 section 408(k) or a simple retirement account
4 under section 408(p)—

5 “(i) such contributions shall not be
6 treated as applicable annual contributions
7 for purposes of applying the limitation
8 under subsection (a), but

9 “(ii) the excess described in sub-
10 section (a) shall be reduced by the amount
11 of such contributions in applying such limi-
12 tation to other applicable annual contribu-
13 tions with respect to such individual.

14 “(C) ROLLOVER CONTRIBUTIONS DIS-
15 REGARDED.—A rollover contribution under sec-
16 tion 402(c), 403(a)(4), 403(b)(8), 408(d)(3),
17 457(e)(16), or 529(e)(3)(E) shall not be treated
18 as an applicable annual contribution.

19 “(D) ACCOUNTS ACQUIRED BY DEATH OR
20 DIVORCE OR SEPARATION.—The acquisition of
21 an individual retirement plan (or the transfer to
22 or contribution of amounts to an individual re-
23 tirement plan) by reason of—

24 “(i) the death of another individual,
25 or

1 “(ii) divorce or separation (pursuant
2 to section 408(d)(6)),
3 shall not be treated as an applicable annual
4 contribution.

5 “(2) APPLICABLE DOLLAR AMOUNT.—The term
6 ‘applicable dollar amount’ means \$10,000,000.

7 “(3) APPLICABLE RETIREMENT PLAN.—The
8 term ‘applicable retirement plan’ means—

9 “(A) a defined contribution plan to which
10 section 401(a) or 403(a) applies,

11 “(B) an annuity contract under section
12 403(b),

13 “(C) an eligible deferred compensation
14 plan described in section 457(b) which is main-
15 tained by an eligible employer described in sec-
16 tion 457(e)(1)(A), or

17 “(D) an individual retirement plan.

18 “(4) APPLICABLE TAXPAYER.—

19 “(A) IN GENERAL.—The term ‘applicable
20 taxpayer’ means, with respect to any taxable
21 year, a taxpayer whose modified adjusted gross
22 income for the preceding taxable year exceeds
23 the amount determined under subparagraph
24 (B).

1 “(B) DOLLAR LIMIT.—The amount deter-
2 mined under this subparagraph for any taxable
3 year is—

4 “(i) \$225,000 for a married individual
5 not filing a joint return,

6 “(ii) \$425,000 in the case of an indi-
7 vidual who is a head of household (as de-
8 fined in section 2(b)),

9 “(iii) \$450,000 in the case of an indi-
10 vidual who is a married individual filing a
11 joint return or a surviving spouse (as de-
12 fined in section 2(a)), and

13 “(iv) \$400,000 in any other case.

14 “(C) MODIFIED ADJUSTED GROSS IN-
15 COME.—For purposes of this paragraph, the
16 term ‘modified adjusted gross income’ means
17 adjusted gross income determined without re-
18 gard to sections 911, 931, and 933, without re-
19 gard to any deduction for applicable annual
20 contributions to individual retirement plans to
21 which subsection (a) applies, and without re-
22 gard to any increase in minimum required dis-
23 tributions by reason of section 4974(f).

24 “(5) ADJUSTMENTS FOR INFLATION.—

1 “(A) IN GENERAL.—In the case of any
2 taxable year beginning after 2027, each of the
3 dollar amounts in paragraphs (2) and (4)(B)
4 shall be increased by an amount equal to the
5 product of—

6 “(i) such dollar amount, and

7 “(ii) the cost-of-living adjustment
8 under section 1(f)(3) for the calendar year
9 in which such taxable year begins, deter-
10 mined by substituting ‘calendar year 2026’
11 for ‘calendar year 2016’ in subparagraph
12 (A)(ii) thereof.

13 “(B) ROUNDING.—If any amount as ad-
14 justed under subparagraph (A) is not—

15 “(i) in the case of the dollar amount
16 under paragraph (2), a multiple of
17 \$250,000, such amount shall be rounded
18 to the next lowest multiple of \$250,000,
19 and

20 “(ii) in the case of a dollar amount
21 under paragraph (4)(B), a multiple of
22 \$1,000, such amount shall be rounded to
23 the next lowest multiple of \$1,000.

24 “(c) REGULATIONS.—The Secretary shall prescribe
25 such regulations and guidance as are necessary or appro-

1 piate to carry out the purposes of this section, including
2 regulations or guidance that provide for the application
3 of this section and section 4974(f) in the case of plans
4 with a valuation date other than the last day of a calendar
5 year.”.

6 (2) CONFORMING AMENDMENTS.—

7 (A) The table of contents for subpart A of
8 part I of subchapter D of chapter 1 of such
9 Code is amended by adding after the item relat-
10 ing to section 409A the following new item:

“Sec. 409B. Contribution limit on individual retirement plans of high-income
taxpayers with large account balances.”.

11 (B) Section 408(r) of such Code is amend-
12 ed by adding at the end the following new para-
13 graph:

14 “(3) For additional limitations on contributions
15 to individual retirement plans with large account
16 balances, see section 409B.”.

17 (b) EXCISE TAX ON EXCESS APPLICABLE ANNUAL
18 CONTRIBUTIONS.—

19 (1) IN GENERAL.—Section 4973 of the Internal
20 Revenue Code of 1986 is amended by adding at the
21 end the following new subsection:

22 “(i) SPECIAL RULE FOR INDIVIDUAL RETIREMENT
23 PLANS WITH EXCESS APPLICABLE ANNUAL CONTRIBU-
24 TIONS.—For purposes of this section, in the case of indi-

1 vidual retirement plans, the excess contributions otherwise
2 determined under this section with respect to any taxable
3 year shall be increased by the sum of—

4 “(1) the excess of the applicable annual con-
5 tributions (within the meaning of section
6 409B(b)(1)) to such plans over the limitation under
7 section 409B(a) for such taxable year, reduced by
8 the amount of any excess contributions determined
9 under subsections (b) and (f), and

10 “(2) the lesser of—

11 “(A) the amount determined under this
12 subsection for the preceding taxable year with
13 respect to such plans, reduced by the aggregate
14 distributions from such plans for the taxable
15 year (including distributions required under sec-
16 tion 4974(f)) to the extent not contributed in a
17 rollover contribution to another eligible retire-
18 ment plan in accordance with section 402(c),
19 403(a)(4), 403(b)(8), 408(d)(3), and
20 457(e)(16), or

21 “(B) the amount (if any) by which the
22 amount determined under section 409B(a)(2)
23 for the taxable year exceeds the applicable dol-
24 lar amount under section 409B(b)(2) for the
25 taxable year.”.

1 (2) CONFORMING AMENDMENTS.—Subsections
2 (b) and (f) of section 4973 of such Code are each
3 amended by inserting “, except as further provided
4 in subsection (i)” after “For purposes of this sec-
5 tion”.

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to taxable years beginning after
8 December 31, 2026.

9 **SEC. 2. INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS**
10 **FOR HIGH-INCOME TAXPAYERS WITH LARGE**
11 **RETIREMENT ACCOUNT BALANCES.**

12 (a) IN GENERAL.—Section 4974 of the Internal Rev-
13 enue Code of 1986 is amended by adding at the end the
14 following new subsection:

15 “(f) INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS FOR HIGH-INCOME TAXPAYERS WITH LARGE AG-
16 GREGATE ACCOUNT BALANCES.—

18 “(1) IN GENERAL.—If this subsection applies to
19 a payee who is an applicable taxpayer (as defined in
20 section 409B(b)(4)) for a taxable year—

21 “(A) all applicable retirement plans (other
22 than individual retirement accounts) of the
23 payee taken into account in computing the ex-
24 cess described in paragraph (3)(A) shall be
25 treated as 1 plan solely for purposes of applying

1 this section to the increase in minimum re-
2 quired distributions for such taxable year deter-
3 mined under subparagraph (B), and

4 “(B) the minimum required distributions
5 under this section for all plans treated as 1
6 plan under subparagraph (A) with respect to
7 such payee for such taxable year shall be in-
8 creased by the excess (if any) of—

9 “(i) the sum of—

10 “(I) if paragraph (2) applies to
11 such taxable year, the applicable Roth
12 excess amount, plus

13 “(II) 50 percent of the excess de-
14 termined under paragraph (3)(A), re-
15 duced by the applicable Roth excess
16 amount, over

17 “(ii) the sum of the minimum re-
18 quired distributions (determined without
19 regard to this subsection) for all such
20 plans.

21 “(2) APPLICABLE ROTH EXCESS AMOUNT.—

22 “(A) APPLICATION.—For purposes of
23 paragraph (1)(B)(i), this paragraph applies to a
24 taxable year of a payee if the aggregate vested
25 balances to the credit of the payee (whether as

1 a participant, owner, or beneficiary) in all appli-
2 cable retirement plans (determined as of the
3 close of the calendar year preceding the cal-
4 endar year in which the taxable year begins) ex-
5 ceed 200 percent of the applicable dollar
6 amount for the calendar year in which the tax-
7 able year begins.

8 “(B) APPLICABLE ROTH EXCESS
9 AMOUNT.—The applicable Roth excess amount
10 for any taxable year to which this paragraph
11 applies is an amount equal to the lesser of—

12 “(i) the excess determined under sub-
13 paragraph (A), or

14 “(ii) the aggregate balances to the
15 credit of the payee (whether as a partici-
16 pant, owner, or beneficiary) in all Roth
17 IRAs and designated Roth accounts (with-
18 in the meaning of section 402A) as of the
19 close of the calendar year preceding the
20 calendar year in which the taxable year be-
21 gins.

22 “(3) APPLICATION.—This subsection shall
23 apply to a payee for a taxable year—

24 “(A) if the aggregate vested balances to
25 the credit of the payee (whether as a partici-

1 pant, owner, or beneficiary) in all applicable re-
2 tirement plans (determined as of the close of
3 the calendar year preceding the calendar year
4 in which the taxable year begins) exceed the ap-
5 plicable dollar amount for the calendar year in
6 which the taxable year begins, and

7 “(B) without regard to whether amounts
8 with respect to the payee are otherwise required
9 to be distributed under section 401(a)(9),
10 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2).

11 “(4) COORDINATION AND ALLOCATION.—

12 “(A) MINIMUM DISTRIBUTION REQUIRE-
13 MENTS.—If this subsection applies to a payee
14 for any taxable year—

15 “(i) this section shall apply first to
16 minimum required distributions deter-
17 mined without regard to this subsection
18 and then to any increase in minimum re-
19 quired distributions by reason of this sub-
20 section, and

21 “(ii) nothing in this subsection shall
22 be construed to affect the amount of any
23 minimum required distribution determined
24 without regard to this subsection or the

1 plan or plans from which it is required to
2 be distributed.

3 “(B) ALLOCATION OF INCREASE IN MIN-
4 IMUM REQUIRED DISTRIBUTIONS.—

5 “(i) IN GENERAL.—Except as pro-
6 vided in clauses (ii) and (iii), the taxpayer
7 may, in such form and manner as the Sec-
8 retary may prescribe, allocate any increase
9 in minimum required distributions by rea-
10 son of this subsection to applicable retire-
11 ment plans treated as 1 plan under sub-
12 paragraph (A) in such manner as the tax-
13 payer chooses.

14 “(ii) ALLOCATION TO ROTH IRAS AND
15 ACCOUNTS.—In the case of a taxable year
16 to which paragraph (2) applies, the portion
17 of any increase in minimum required dis-
18 tributions by reason of this subsection
19 equal to the applicable Roth excess amount
20 shall be allocated first to Roth IRAs and
21 then to designated Roth accounts (within
22 the meaning of section 402A) of the payee.

23 “(iii) SPECIAL RULES FOR EMPLOYEE
24 STOCK OWNERSHIP PLANS.—

1 “(I) IN GENERAL.—In the case
2 of a payee to which this subsection
3 applies for any taxable year who has
4 account balances in 1 or more em-
5 ployee stock ownership plans (as de-
6 fined in section 4975(e)(7)) any por-
7 tion of which is invested in employer
8 securities which are not readily
9 tradable on an established securities
10 market, the increase in minimum re-
11 quired distributions by reason of this
12 subsection shall not be allocated to
13 any such portion.

14 “(II) EXCEPTION FOR AMOUNTS
15 ATTRIBUTABLE TO ROLLOVER.—Sub-
16 clause (I) shall not apply to so much
17 of any account balance as is attrib-
18 utable to a rollover contribution after
19 the date of the enactment of this sub-
20 section to the account in accordance
21 with section 402(c), 403(a)(4),
22 403(b)(8), 408(d)(3), or 457(e)(16).

23 “(5) DISTRIBUTIONS NOT ELIGIBLE FOR ROLL-
24 OVERS.—For purposes of determining whether a dis-
25 tribution is an eligible rollover distribution, any dis-

1 tribution from an applicable retirement plan which is
2 attributable to any increase in minimum required
3 distributions by reason of this subsection shall be
4 treated as a distribution required under section
5 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or
6 457(d)(2), whichever is applicable.

“(6) ROTH DISTRIBUTIONS TREATED AS QUALIFIED DISTRIBUTIONS.—In the case of any distribution from a Roth IRA, or designated Roth account (within the meaning of section 402A), of the payee by reason of the allocation of an increase in minimum required distributions under this subsection, such distribution shall be treated as a qualified distribution under section 408A(d)(2) or 402A(d)(2), as the case may be.

“(7) DEFINITIONS.—For purposes of this subsection, any term used in this subsection which is also used in section 409B shall have the same meaning as when such term is used in such section.”.

20 (b) SPECIAL RULES.—

21 (1) DISTRIBUTION RIGHTS.—

22 (A) QUALIFIED TRUSTS.—

(i) IN GENERAL.—Section 401(a) of the Internal Revenue Code of 1986 is

1 amended by inserting after paragraph (39)
2 the following new paragraph:

3 “(40) IMMEDIATE DISTRIBUTION RIGHT.—A
4 trust forming part of a defined contribution plan
5 shall not constitute a qualified trust under this sec-
6 tion unless an employee who certifies to the plan
7 that the employee is a taxpayer who is subject to the
8 distribution requirements of section 4974(f) may
9 elect to receive a distribution from the employee’s
10 account balance under the plan in such amount as
11 the employee may elect, including any amounts at-
12 tributable to a qualified cash or deferred arrange-
13 ment (as defined in subsection (k)(2)). The pre-
14 ceding sentence shall not apply in the case of any
15 portion of an account balance to which section
16 4974(f)(4)(B)(iii)(I) applies.”.

17 (ii) APPLICATION TO EMPLOYEE’S AN-
18 NUITIES.—Section 404(a)(2) of such Code
19 is amended by striking “and (37)” and in-
20 serting “(37), and (40)”.

21 (B) ANNUITY CONTRACTS.—

22 (i) CUSTODIAL ACCOUNTS.—Section
23 403(b)(7)(A) of such Code is amended by
24 adding at the end the following new flush
25 sentence:

1 “Notwithstanding clause (i), the custodial ac-
2 count shall permit an employee who certifies
3 that the employee is a taxpayer who is subject
4 to the distribution requirements of section
5 4974(f) to elect to receive a distribution from
6 the employee’s custodial account in such
7 amount as the employee may elect.”.

8 (ii) ANNUITY CONTRACTS.—Section
9 403(b)(11) of such Code is amended by
10 adding at the end the following new sen-
11 tence: “Notwithstanding subparagraphs
12 (A), (B), (C), and (D), the annuity con-
13 tract shall permit an employee who cer-
14 tifies that the employee is a taxpayer who
15 is subject to the distribution requirements
16 of section 4974(f) to elect to receive a dis-
17 tribution of contributions made pursuant
18 to a salary reduction agreement (within
19 the meaning of section 402(g)(3)) from the
20 employee’s annuity contract in such
21 amount as the employee may elect.”.

22 (C) GOVERNMENTAL PLANS.—Section
23 457(d)(1) of such Code is amended by adding
24 at the end the following new flush sentence:

1 “Notwithstanding subparagraph (A), an eligible de-
2 ferred compensation plan of an employer described
3 in subsection (e)(1)(A) shall permit a participant or
4 beneficiary who certifies that the participant or ben-
5 eficiary is a taxpayer who is subject to the distribu-
6 tion requirements of section 4974(f) to elect to re-
7 ceive a distribution from the plan in such amount as
8 the participant or beneficiary may elect.”.

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

13 “(O) DISTRIBUTIONS OF EXCESS BAL-
14 ANCES.—Distributions from an applicable re-
15 tirement plan (within the meaning of section
16 409B)) to the extent such distributions for the
17 taxable year do not exceed the amount required
18 to be distributed from such plan under section
19 4974(f).”.

20 (3) WITHHOLDING.—Section 3405(b) of such
21 Code is amended by adding at the end the following
22 new paragraph:

23 “(3) ADDITIONAL WITHHOLDING FOR RE-
24 QUIRED DISTRIBUTIONS FROM HIGH BALANCE RE-
25 TIREMENT ACCOUNTS.—

1 “(A) IN GENERAL.—For purposes of this
2 section, a distribution pursuant to section
3 401(a)(40), the last sentence of section
4 403(b)(7)(A), the last sentence of section
5 403(b)(11), or the last sentence of section
6 457(d)(1) shall be treated as a nonperiodic dis-
7 tribution, except that in applying this sub-
8 section to such distribution—

9 “(i) paragraph (1) shall be applied by
10 substituting ‘37 percent’ for ‘10 percent’,
11 and

12 “(ii) no election may be made under
13 paragraph (2) with respect to such dis-
14 tribution.

15 “(B) EXCEPTION.—Subparagraph (A)
16 shall not apply to any qualified distribution
17 from a designated Roth account (within the
18 meaning of section 402A).”.

19 (c) CONFORMING AMENDMENT.—Section 4974(b) of
20 the Internal Revenue Code of 1986 is amended by striking
21 “section 401(a)(9)” and inserting “subsection (f) or sec-
22 tion 401(a)(9)”.

23 (d) EFFECTIVE DATES.—

1 (1) IN GENERAL.—The amendments made by
2 subsection (a) shall apply to taxable years beginning
3 after December 31, 2033.

4 (2) PLAN REQUIREMENTS.—The amendments
5 made by subsection (b) shall apply to plan years be-
6 ginning after December 31, 2033.