

Washington Watch

What's Happening in Washington

An update on tax reform and retirement legislation.

By Diana Hodges, David Levine, and Brigen Winters

Tax Reform. On Saturday, December 2, the Senate passed its tax reform legislation, notwithstanding an analysis released by the Joint Committee on Taxation ("JCT") concluding that the bill would add \$1 trillion to the deficit. To cure concerns over the score, Senators added provisions to please disparate party factions and get the 51 votes needed for passage. Importantly, the treatment of retirement savings was left largely intact. The bill does, however, include some changes to the retirement plan rules, a repeal of the Affordable Care Act's individual mandate, and changes to the tax treatment of nonqualified deferred compensation arrangements and employee fringe benefits. As of this writing, lawmakers from both chambers had begun reconciling the House and Senate bills in conference.

The final bill is expected to include the individual mandate repeal. To mitigate concerns from Senator Susan Collins (R-ME), Senate leadership previously committed to considering a package of reforms negotiated by Senators Lamar Alexander (R-TN) and Patty Murray (D-WA), as well as a reinsurance program sponsored by Sen. Collins, both aimed at stabilizing the insurance markets. However, leadership has since started to back away from that promise.

Retirement Legislation. On December 1, Representative Richard Neal (D-MA), Ranking Member of the House Ways and Means Committee,

introduced two pieces of retirement legislation. The Retirement Simplification and Enhancement Act of 2017 would include policies related to automatic enrollment, expanding coverage, lifetime income, and multiple other changes. The Automatic Retirement Plan Act of 2017 would generally require employers (except for those with 10 or fewer employees, governments, churches and certain new businesses) to maintain a 401(k) or 403(b) plan with automatic enrollment.


Recently, Rep. Mike Kelly (R-PA) introduced H.R. 4189, the IRA Preservation Act of 2017. The bill would limit excise penalties and expand the voluntary correction program currently available to defined contribution plans to IRAs. The legislation has been referred to the Ways and Means Committee.

Representatives Tim Walberg (R-MI) and Gregorio Kilili Camacho Sablan (D-Northern Mariana Islands), respectively Chairman and Ranking Member of the Subcommittee on Health, Employment, Labor, and Pensions ("HELP") for the House Committee on Education and the Workforce, introduced the Retirement Plan Modernization Act (H.R. 4158) recently. The bill would raise to \$7,600 and index to inflation the limit for employers to cash out small retirement accounts.

State Initiatives. Before Thanksgiving, Seattle passed legislation to require employers to either provide a retirement plan to their workers or enroll the

workers in a city-run payroll deduction IRA. The proposal is similar to legislation passed in Oregon, Illinois, Maryland, and Connecticut.

Paid Leave. On December 6, the HELP Subcommittee of the Committee on Education and the Workforce held a hearing on "Workplace Leave Policies: Opportunities and Challenges for Employers and Working Families." Subcommittee Chairman Rep. Tim Walberg (R-MI) said that the "growing patchwork of mandates across multiple jurisdictions creates a real administrative and implementation burden... while also increasing compliance costs for employers." A witness at the hearing identified eight states, two counties, and 29 municipalities with differing paid leave regulations.

Representative Mimi Walter (R-CA) introduced a paid leave bill in November. The Workflex in the 21st Century Act (H.R. 4219) exempts businesses that provide between 12 and 20 days of paid leave (based on the number of workers and how long an employee has been with the company) from state and local paid leave laws. 

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