
Twin bills could help small-plan formation

By Editorial Staff *Thu, Feb 5, 2015*

In the Senate, the sponsors were Senators Susan Collins (R-ME) and Bill Nelson (D-FL). In the House, the sponsors were Representatives Vern Buchanan (R-FL) and Ron Kind (D-WI).

Aiming to remove a few of the obstacles that hinder small companies from sponsoring workplace retirement savings plans, legislators in the House and Senate introduced mirror bills last week, both called the Retirement Security Act of 2015.

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The bills themselves had not yet been published at press time, but the offices of the legislators released some of their particulars, including:

- The bill addresses a problem in the regulations that discourages some plan sponsors from forming or joining multiple employer plans (MEPs). Under current law, if one business in a MEP failed to meet the minimum criteria for a tax-preferred retirement plan, the benefits for all participants in that MEP could be endangered. The bill would direct the Treasury Department to address this issue, and to “simplify, clarify, and consolidate notice requirements for retirement plans,” thus reducing the cost of administration.
- Create a safe harbor provision that would allow employers to match employee contributions of up to 10% of their pay. The bill also allows businesses with under 100 employees to offset the cost of the added match with a new tax credit equal to the increased match. The existing safe harbor for plans with automatic enrollment limits employee contributions to 10% of annual pay, with the employer contributing a matching amount on up to 6%. Employees would still be able to contribute more than 10%, but without an employer match.
- The bill would allow certain taxpayers to claim their tax credit for contributions to IRAs or employer-sponsored plans on Form 1040EZ. Currently, they cannot. Low- and middle-income taxpayers are eligible to receive a non-refundable tax credit (up to \$1,000; \$2,000 for joint filers) for their plan contributions. Currently, they cannot.

The American Benefits Council, the American Council of Life Insurers, Fidelity Investments, Lincoln Financial Group, the National Association of Insurance and Financial Advisors, the Principal Financial Group, the Society for Human Resource Management, Transamerica, and the U.S. Chamber of Commerce support the bills.

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