

SECURE Act

Employee Benefit Plan Changes

By: **Brian Norwitz | Staff Accountant**

The SECURE Act (The Setting Every Community Up for Retirement Enhancement Act) was signed into law December 20, 2019 as part of Further Consolidated Appropriations Act of 2020. Changes generally apply to tax years beginning after 2019.

The aim of the SECURE Act is to improve retirement opportunities for employees by providing incentives for employers to improve retirement plans. The act will impact taxpayers' retirement planning and increase some taxpayers' tax liability. It will also increase penalties for failure to timely file forms to be reported to the IRS/DOL.

Some notable changes under the SECURE Act include:

- **Age of RMD (Required Minimum Distribution)** beginning date for employer plans and for IRAs goes from 70 ½ to 72, effective for distributions required in 2020 and later. Those already 70 ½ will continue to receive their RMD.
- **RMDs from IRAs and qualified retirement plans made to non-spouse beneficiaries** changed from a 5-year rule to a 10-year rule. The 10-year period will apply regardless of whether the plan participant or IRA owner dies before or after the required beginning date.
- **Stretch IRAs** are eliminated or extremely limited as an effective planning tool. All amounts held under the plan or IRA must be distributed within 10 years of the plan participant's or IRA owner's death. The change is effective after December 31, 2019.
- **Part-time employees** who work between 500 and 1,000 hours a year are now eligible to participate in their employers' 401(k) plan if they have three straight years of service where they completed at least 500 hours of service. The change affects only 401(k) cash or deferral arrangements.

- **Automatic enrollment contributions** for qualified contribution arrangement safe harbor plans increases from 10% of compensation to 15%.

Other relevant changes affecting Employee Benefit Plans:

- **403(b) Plans — Document Restatements:** Tax-exempt employers that sponsor or offer Internal Revenue Code Section 403(b) plans (including non-ERISA plans) have until March 31, 2020 to finish the restatement and amendment of those plans.
- **PCORI Fee Extended:** The Patient-Centered Outcomes Research Institute (PCORI), which was established as part of the Affordable Care Act in 2010, will extend their fee until 2029. The fee is used to evaluate and research the effectiveness of medical treatments and preventing illness or injury. The fee was scheduled to expire in 2019.
- **DOL Proposes Default Electronic Delivery of Retirement Plan Documents:** Proposal to allow online retirement plan disclosures to be more accessible to Americans who are participants in employer-sponsored retirement plans. This proposal could result in a large increase in employees saving through their employer's retirement plan.

Please contact us with any questions or concerns you may have regarding this Act. We can be reached at 866.464.2839 or by email at info@calibrecpa.com.