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(Original Signature of Member)

119TH CONGRESS
2D SESSION

# H. R. ______

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

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IN THE HOUSE OF REPRESENTATIVES

Mr. NEAL introduced the following bill; which was referred to the Committee on ______________________________

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# A BILL

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

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. CONTRIBUTION LIMIT FOR INDIVIDUAL RETIREMENT PLANS OF HIGH-INCOME TAXPAYERS WITH LARGE ACCOUNT BALANCES.**

(a) CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 of the Internal Revenue Code

of 1986 is amended by adding at the end the following:

**"SEC. 409B. CONTRIBUTION LIMIT ON INDIVIDUAL RETIREMENT PLANS OF HIGH-INCOME TAXPAYERS WITH LARGE ACCOUNT BALANCES.**

''(a) GENERAL RULE.—Notwithstanding any other provision of this title, in the case of an individual who is an applicable taxpayer for any taxable year, no applicable annual contributions for such taxable year shall be made by, or on behalf of, such individual to any individual retirement plan to the extent such applicable annual contributions exceed the excess (if any) of—

''(1) the applicable dollar amount for such taxable year, over

''(2) the aggregate vested balances to the credit of the individual (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which such taxable year begins).

''(b) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE ANNUAL CONTRIBUTION.—

''(A) IN GENERAL.—Except as provided in this paragraph, the term 'applicable annual contribution' means any contribution to an individual retirement plan.

"(B) CONTRIBUTIONS TO SEP AND SIMPLE PLANS.—In the case of any employer or employee contributions by, or on behalf of, an individual to a simplified employee pension under section 408(k) or a simple retirement account under section 408(p)—

"(i) such contributions shall not be treated as applicable annual contributions for purposes of applying the limitation under subsection (a), but

"(ii) the excess described in subsection (a) shall be reduced by the amount of such contributions in applying such limitation to other applicable annual contributions with respect to such individual.

"(C) ROLLOVER CONTRIBUTIONS DISREGARDED.—A rollover contribution under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), 457(e)(16), or 529(c)(3)(E) shall not be treated as an applicable annual contribution.

"(D) ACCOUNTS ACQUIRED BY DEATH OR DIVORCE OR SEPARATION.—The acquisition of an individual retirement plan (or the transfer to or contribution of amounts to an individual retirement plan) by reason of—

"(i) the death of another individual, or

"(ii) divorce or separation (pursuant to section 408(d)(6)),

shall not be treated as an applicable annual contribution.

"(2) APPLICABLE DOLLAR AMOUNT.—The term 'applicable dollar amount' means $10,000,000.

"(3) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

"(A) a defined contribution plan to which section 401(a) or 403(a) applies,

"(B) an annuity contract under section 403(b),

"(C) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A), or

"(D) an individual retirement plan.

"(4) APPLICABLE TAXPAYER.—

"(A) IN GENERAL.—The term 'applicable taxpayer' means, with respect to any taxable year, a taxpayer whose modified adjusted gross income for the preceding taxable year exceeds the amount determined under subparagraph (B).

"(B) DOLLAR LIMIT.—The amount determined under this subparagraph for any taxable year is—

"(i) $225,000 for a married individual not filing a joint return,

"(ii) $425,000 in the case of an individual who is a head of household (as defined in section 2(b)),

"(iii) $450,000 in the case of an individual who is a married individual filing a joint return or a surviving spouse (as defined in section 2(a)), and

"(iv) $400,000 in any other case.

"(C) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933, without regard to any deduction for applicable annual contributions to individual retirement plans to which subsection (a) applies, and without regard to any increase in minimum required distributions by reason of section 4974(f).

"(5) ADJUSTMENTS FOR INFLATION.—

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

"(i) such dollar amount, and

"(ii) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting 'calendar year 2026' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not—

"(i) in the case of the dollar amount under paragraph (2), a multiple of $250,000, such amount shall be rounded to the next lowest multiple of $250,000, and

"(ii) in the case of a dollar amount under paragraph (4)(B), a multiple of

$1,000, such amount shall be rounded to the next lowest multiple of $1,000.

"(c) REGULATIONS.—The Secretary shall prescribe such regulations and guidance as are necessary or appropriate to carry out the purposes of this section, including regulations or guidance that provide for the application of this section and section 4974(f) in the case of plans with a valuation date other than the last day of a calendar year.".

(2) CONFORMING AMENDMENTS.—

(A) The table of contents for subpart A of part I of subchapter D of chapter 1 of such Code is amended by adding after the item relating to section 409A the following new item:

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

(B) Section 408(r) of such Code is amended by adding at the end the following new paragraph:

"(3) For additional limitations on contributions to individual retirement plans with large account balances, see section 409B.".

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

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

"(i) SPECIAL RULE FOR INDIVIDUAL RETIREMENT PLANS WITH EXCESS APPLICABLE ANNUAL CONTRIBUTIONS.—For purposes of this section, in the case of individual retirement plans, the excess contributions otherwise determined under this section with respect to any taxable year shall be increased by the sum of—

"(1) the excess of the applicable annual contributions (within the meaning of section 409B(b)(1)) to such plans over the limitation under section 409B(a) for such taxable year, reduced by the amount of any excess contributions determined under subsections (b) and (f), and

"(2) the lesser of—

"(A) the amount determined under this subsection for the preceding taxable year with respect to such plans, reduced by the aggregate distributions from such plans for the taxable year (including distributions required under section 4974(f)) to the extent not contributed in a rollover contribution to another eligible retirement plan in accordance with section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), and 457(e)(16), or

"(B) the amount (if any) by which the amount determined under section 409B(a)(2) for the taxable year exceeds the applicable dollar amount under section 409B(b)(2) for the taxable year.".

(2) CONFORMING AMENDMENTS.—Subsections (b) and (f) of section 4973 of such Code are each amended by inserting ", except as further provided in subsection (i)" after "For purposes of this section".

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

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

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

"(f) INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS FOR HIGH-INCOME TAXPAYERS WITH LARGE AGGREGATE ACCOUNT BALANCES.—

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

"(A) all applicable retirement plans (other than individual retirement accounts) of the payee taken into account in computing the excess described in paragraph (3)(A) shall be treated as 1 plan solely for purposes of applying this section to the increase in minimum required distributions for such taxable year determined under subparagraph (B), and

"(B) the minimum required distributions under this section for all plans treated as 1 plan under subparagraph (A) with respect to such payee for such taxable year shall be increased by the excess (if any) of—

"(i) the sum of—

"(I) if paragraph (2) applies to such taxable year, the applicable Roth excess amount, plus

"(II) 50 percent of the excess determined under paragraph (3)(A), reduced by the applicable Roth excess amount, over "(ii) the sum of the minimum required distributions (determined without regard to this subsection) for all such plans.

"(2) APPLICABLE ROTH EXCESS AMOUNT.—

"(A) APPLICATION.—For purposes of paragraph (1)(B)(i), this paragraph applies to a taxable year of a payee if the aggregate vested balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which the taxable year begins) exceed 200 percent of the applicable dollar amount for the calendar year in which the taxable year begins.

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

"(i) the excess determined under subparagraph (A), or

"(ii) the aggregate balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all Roth

IRAs and designated Roth accounts (within the meaning of section 402A) as of the close of the calendar year preceding the calendar year in which the taxable year begins.

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

"(A) if the aggregate vested balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which the taxable year begins) exceed the applicable dollar amount for the calendar year in which the taxable year begins, and

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

"(4) COORDINATION AND ALLOCATION.—

"(A) MINIMUM DISTRIBUTION REQUIREMENTS.—If this subsection applies to a payee for any taxable year—

"(i) this section shall apply first to minimum required distributions determined without regard to this subsection and then to any increase in minimum required distributions by reason of this subsection, and

"(ii) nothing in this subsection shall be construed to affect the amount of any minimum required distribution determined without regard to this subsection or the plan or plans from which it is required to be distributed.

"(B) ALLOCATION OF INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS.—

"(i) IN GENERAL.—Except as provided in clauses (ii) and (iii), the taxpayer may, in such form and manner as the Secretary may prescribe, allocate any increase in minimum required distributions by reason of this subsection to applicable retirement plans treated as 1 plan under subparagraph (A) in such manner as the taxpayer chooses.

"(ii) ALLOCATION TO ROTH IRAS AND ACCOUNTS.—In the case of a taxable year to which paragraph (2) applies, the portion of any increase in minimum required distributions by reason of this subsection equal to the applicable Roth excess amount shall be allocated first to Roth IRAs and then to designated Roth accounts (within the meaning of section 402A) of the payee.

"(iii) SPECIAL RULES FOR EMPLOYEE STOCK OWNERSHIP PLANS.—

"(I) IN GENERAL.—In the case of a payee to which this subsection applies for any taxable year who has account balances in 1 or more employee stock ownership plans (as defined in section 4975(e)(7)) any portion of which is invested in employer securities which are not readily tradable on an established securities market, the increase in minimum required distributions by reason of this subsection shall not be allocated to any such portion.

"(II) EXCEPTION FOR AMOUNTS ATTRIBUTABLE TO ROLLOVER.—Subclause (I) shall not apply to so much of any account balance as is attributable to a rollover contribution after the date of the enactment of this subsection to the account in accordance with section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16).

"(5) DISTRIBUTIONS NOT ELIGIBLE FOR ROLLOVERS.—For purposes of determining whether a distribution is an eligible rollover distribution, any distribution from an applicable retirement plan which is attributable to any increase in minimum required distributions by reason of this subsection shall be treated as a distribution required under section 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or 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.''.

(b) SPECIAL RULES.—

(1) DISTRIBUTION RIGHTS.—

(A) QUALIFIED TRUSTS.—

(i) IN GENERAL.—Section 401(a) of the Internal Revenue Code of 1986 is amended by inserting after paragraph (39) the following new paragraph:

''(40) IMMEDIATE DISTRIBUTION RIGHT.—A trust forming part of a defined contribution plan shall not constitute a qualified trust under this section unless an employee who certifies to the plan that the employee is a taxpayer who is subject to the distribution requirements of section 4974(f) may elect to receive a distribution from the employee's account balance under the plan in such amount as the employee may elect, including any amounts attributable to a qualified cash or deferred arrangement (as defined in subsection (k)(2)). The preceding sentence shall not apply in the case of any portion of an account balance to which section 4974(f)(4)(B)(iii)(I) applies.''.

(ii) APPLICATION TO EMPLOYEE'S ANNUITIES.—Section 404(a)(2) of such Code is amended by striking “and (37)” and inserting “(37), and (40)”.

(B) ANNUITY CONTRACTS.—

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

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

(ii) ANNUITY CONTRACTS.—Section 403(b)(11) of such Code is amended by adding at the end the following new sentence: “Notwithstanding subparagraphs (A), (B), (C), and (D), the annuity contract shall permit an employee who certifies that the employee is a taxpayer who is subject to the distribution requirements of section 4974(f) to elect to receive a distribution of contributions made pursuant to a salary reduction agreement (within the meaning of section 402(g)(3)) from the employee's annuity contract in such amount as the employee may elect.''.

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

''Notwithstanding subparagraph (A), an eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall permit a participant or beneficiary who certifies that the participant or beneficiary is a taxpayer who is subject to the distribution requirements of section 4974(f) to elect to receive a distribution from the plan in such amount as the participant or beneficiary may elect.''.

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

''(O) DISTRIBUTIONS OF EXCESS BALANCES.—Distributions from an applicable retirement plan (within the meaning of section 409B)) to the extent such distributions for the taxable year do not exceed the amount required to be distributed from such plan under section 4974(f).''.

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

"(3) ADDITIONAL WITHHOLDING FOR REQUIRED DISTRIBUTIONS FROM HIGH BALANCE RETIREMENT ACCOUNTS.—

"(A) IN GENERAL.—For purposes of this section, a distribution pursuant to section 401(a)(40), the last sentence of section 403(b)(7)(A), the last sentence of section 403(b)(11), or the last sentence of section 457(d)(1) shall be treated as a nonperiodic distribution, except that in applying this subsection to such distribution—

"(i) paragraph (1) shall be applied by substituting '37 percent' for '10 percent', and

"(ii) no election may be made under paragraph (2) with respect to such distribution.

"(B) EXCEPTION.—Subparagraph (A) shall not apply to any qualified distribution from a designated Roth account (within the meaning of section 402A).".

(c) CONFORMING AMENDMENT.—Section 4974(b) of the Internal Revenue Code of 1986 is amended by striking "section 401(a)(9)" and inserting "subsection (f) or section 401(a)(9)".

(d) EFFECTIVE DATES.—

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

(2) PLAN REQUIREMENTS.—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2033.