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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.

IN THE HOUSE OF REPRESENTATIVES

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

A BILL

To amend the Internal Revenue Code of 1986 to impose
limitations on high-income taxpayers with large retire-
ment 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

1 of 1986 is amended by adding at the end the fol-
2 lowing:

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

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

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

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

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

22 “(1) APPLICABLE ANNUAL CONTRIBUTION.—

23 “(A) IN GENERAL.—Except as provided in
24 this paragraph, the term ‘applicable annual

1 contribution’ means any contribution to an indi-
2 vidual retirement plan.

3 “(B) CONTRIBUTIONS TO SEP AND SIMPLE
4 PLANS.—In the case of any employer or em-
5 ployee contributions by, or on behalf of, an indi-
6 vidual to a simplified employee pension under
7 section 408(k) or a simple retirement account
8 under section 408(p)—

9 “(i) such contributions shall not be
10 treated as applicable annual contributions
11 for purposes of applying the limitation
12 under subsection (a), but

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

18 “(C) ROLLOVER CONTRIBUTIONS DIS-
19 REGARDED.—A rollover contribution under sec-
20 tion 402(c), 403(a)(4), 403(b)(8), 408(d)(3),
21 457(e)(16), or 529(c)(3)(E) shall not be treated
22 as an applicable annual contribution.

23 “(D) ACCOUNTS ACQUIRED BY DEATH OR
24 DIVORCE OR SEPARATION.—The acquisition of
25 an individual retirement plan (or the transfer to

1 or contribution of amounts to an individual re-
2 tirement plan) by reason of—

3 “(i) the death of another individual,
4 or

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

7 shall not be treated as an applicable annual
8 contribution.

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

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

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

15 “(B) an annuity contract under section
16 403(b),

17 “(C) an eligible deferred compensation
18 plan described in section 457(b) which is main-
19 tained by an eligible employer described in sec-
20 tion 457(e)(1)(A), or

21 “(D) an individual retirement plan.

22 “(4) APPLICABLE TAXPAYER.—

23 “(A) IN GENERAL.—The term ‘applicable
24 taxpayer’ means, with respect to any taxable
25 year, a taxpayer whose modified adjusted gross

1 income for the preceding taxable year exceeds
2 the amount determined under subparagraph
3 (B).

4 “(B) DOLLAR LIMIT.—The amount deter-
5 mined under this subparagraph for any taxable
6 year is—

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

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

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

16 “(iv) \$400,000 in any other case.

17 “(C) MODIFIED ADJUSTED GROSS IN-
18 COME.—For purposes of this paragraph, the
19 term ‘modified adjusted gross income’ means
20 adjusted gross income determined without re-
21 gard to sections 911, 931, and 933, without re-
22 gard to any deduction for applicable annual
23 contributions to individual retirement plans to
24 which subsection (a) applies, and without re-

1 gard to any increase in minimum required dis-
2 tributions by reason of section 4974(f).

3 “(5) ADJUSTMENTS FOR INFLATION.—

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

9 “(i) such dollar amount, and

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

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

18 “(i) in the case of the dollar amount
19 under paragraph (2), a multiple of
20 \$250,000, such amount shall be rounded
21 to the next lowest multiple of \$250,000,
22 and

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

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

3 “(c) REGULATIONS.—The Secretary shall prescribe
4 such regulations and guidance as are necessary or appro-
5 priate to carry out the purposes of this section, including
6 regulations or guidance that provide for the application
7 of this section and section 4974(f) in the case of plans
8 with a valuation date other than the last day of a calendar
9 year.”.

10 (2) CONFORMING AMENDMENTS.—

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

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

15 (B) Section 408(r) of such Code is amend-
16 ed by adding at the end the following new para-
17 graph:

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

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

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

4 “(i) SPECIAL RULE FOR INDIVIDUAL RETIREMENT
5 PLANS WITH EXCESS APPLICABLE ANNUAL CONTRIBU-
6 TIONS.—For purposes of this section, in the case of indi-
7 vidual retirement plans, the excess contributions otherwise
8 determined under this section with respect to any taxable
9 year shall be increased by the sum of—

10 “(1) the excess of the applicable annual con-
11 tributions (within the meaning of section
12 409B(b)(1)) to such plans over the limitation under
13 section 409B(a) for such taxable year, reduced by
14 the amount of any excess contributions determined
15 under subsections (b) and (f), and

16 “(2) the lesser of—

17 “(A) the amount determined under this
18 subsection for the preceding taxable year with
19 respect to such plans, reduced by the aggregate
20 distributions from such plans for the taxable
21 year (including distributions required under sec-
22 tion 4974(f)) to the extent not contributed in a
23 rollover contribution to another eligible retire-
24 ment plan in accordance with section 402(c),

1 403(a)(4), 403(b)(8), 408(d)(3), and
2 457(e)(16), or

3 “(B) the amount (if any) by which the
4 amount determined under section 409B(a)(2)
5 for the taxable year exceeds the applicable dol-
6 lar amount under section 409B(b)(2) for the
7 taxable year.”.

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

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

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

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

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

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

4 “(A) all applicable retirement plans (other
5 than individual retirement accounts) of the
6 payee taken into account in computing the ex-
7 cess described in paragraph (3)(A) shall be
8 treated as 1 plan solely for purposes of applying
9 this section to the increase in minimum re-
10 quired distributions for such taxable year deter-
11 mined under subparagraph (B), and

12 “(B) the minimum required distributions
13 under this section for all plans treated as 1
14 plan under subparagraph (A) with respect to
15 such payee for such taxable year shall be in-
16 creased by the excess (if any) of—

17 “(i) the sum of—

18 “(I) if paragraph (2) applies to
19 such taxable year, the applicable Roth
20 excess amount, plus

21 “(II) 50 percent of the excess de-
22 termined under paragraph (3)(A), re-
23 duced by the applicable Roth excess
24 amount, over

1 “(ii) the sum of the minimum re-
2 quired distributions (determined without
3 regard to this subsection) for all such
4 plans.

5 “(2) APPLICABLE ROTH EXCESS AMOUNT.—

6 “(A) APPLICATION.—For purposes of
7 paragraph (1)(B)(i), this paragraph applies to a
8 taxable year of a payee if the aggregate vested
9 balances to the credit of the payee (whether as
10 a participant, owner, or beneficiary) in all appli-
11 cable retirement plans (determined as of the
12 close of the calendar year preceding the cal-
13 endar year in which the taxable year begins) ex-
14 ceed 200 percent of the applicable dollar
15 amount for the calendar year in which the tax-
16 able year begins.

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

21 “(i) the excess determined under sub-
22 paragraph (A), or

23 “(ii) the aggregate balances to the
24 credit of the payee (whether as a partici-
25 pant, owner, or beneficiary) in all Roth

1 IRAs and designated Roth accounts (with-
2 in the meaning of section 402A) as of the
3 close of the calendar year preceding the
4 calendar year in which the taxable year be-
5 gins.

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

8 “(A) if the aggregate vested balances to
9 the credit of the payee (whether as a partici-
10 pant, owner, or beneficiary) in all applicable re-
11 tirement plans (determined as of the close of
12 the calendar year preceding the calendar year
13 in which the taxable year begins) exceed the ap-
14 plicable dollar amount for the calendar year in
15 which the taxable year begins, and

16 “(B) without regard to whether amounts
17 with respect to the payee are otherwise required
18 to be distributed under section 401(a)(9),
19 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2).

20 “(4) COORDINATION AND ALLOCATION.—

21 “(A) MINIMUM DISTRIBUTION REQUIRE-
22 MENTS.—If this subsection applies to a payee
23 for any taxable year—

24 “(i) this section shall apply first to
25 minimum required distributions deter-

1 mined without regard to this subsection
2 and then to any increase in minimum re-
3 quired distributions by reason of this sub-
4 section, and

5 “(ii) nothing in this subsection shall
6 be construed to affect the amount of any
7 minimum required distribution determined
8 without regard to this subsection or the
9 plan or plans from which it is required to
10 be distributed.

11 “(B) ALLOCATION OF INCREASE IN MIN-
12 IMUM REQUIRED DISTRIBUTIONS.—

13 “(i) IN GENERAL.—Except as pro-
14 vided in clauses (ii) and (iii), the taxpayer
15 may, in such form and manner as the Sec-
16 retary may prescribe, allocate any increase
17 in minimum required distributions by rea-
18 son of this subsection to applicable retire-
19 ment plans treated as 1 plan under sub-
20 paragraph (A) in such manner as the tax-
21 payer chooses.

22 “(ii) ALLOCATION TO ROTH IRAS AND
23 ACCOUNTS.—In the case of a taxable year
24 to which paragraph (2) applies, the portion
25 of any increase in minimum required dis-

1 tributions by reason of this subsection
2 equal to the applicable Roth excess amount
3 shall be allocated first to Roth IRAs and
4 then to designated Roth accounts (within
5 the meaning of section 402A) of the payee.

6 “(iii) SPECIAL RULES FOR EMPLOYEE
7 STOCK OWNERSHIP PLANS.—

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

21 “(II) EXCEPTION FOR AMOUNTS
22 ATTRIBUTABLE TO ROLLOVER.—Sub-
23 clause (I) shall not apply to so much
24 of any account balance as is attrib-
25 utable to a rollover contribution after

1 the date of the enactment of this sub-
2 section to the account in accordance
3 with section 402(c), 403(a)(4),
4 403(b)(8), 408(d)(3), or 457(e)(16).

5 “(5) DISTRIBUTIONS NOT ELIGIBLE FOR ROLL-
6 OVERS.—For purposes of determining whether a dis-
7 tribution is an eligible rollover distribution, any dis-
8 tribution from an applicable retirement plan which is
9 attributable to any increase in minimum required
10 distributions by reason of this subsection shall be
11 treated as a distribution required under section
12 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or
13 457(d)(2), whichever is applicable.

14 “(6) ROTH DISTRIBUTIONS TREATED AS QUALI-
15 FIED DISTRIBUTIONS.—In the case of any distribu-
16 tion from a Roth IRA, or designated Roth account
17 (within the meaning of section 402A), of the payee
18 by reason of the allocation of an increase in min-
19 imum required distributions under this subsection,
20 such distribution shall be treated as a qualified dis-
21 tribution under section 408A(d)(2) or 402A(d)(2),
22 as the case may be.

23 “(7) DEFINITIONS.—For purposes of this sub-
24 section, any term used in this subsection which is

1 also used in section 409B shall have the same mean-
2 ing as when such term is used in such section.”.

3 (b) SPECIAL RULES.—

4 (1) DISTRIBUTION RIGHTS.—

5 (A) QUALIFIED TRUSTS.—

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

10 “(40) IMMEDIATE DISTRIBUTION RIGHT.—A
11 trust forming part of a defined contribution plan
12 shall not constitute a qualified trust under this sec-
13 tion unless an employee who certifies to the plan
14 that the employee is a taxpayer who is subject to the
15 distribution requirements of section 4974(f) may
16 elect to receive a distribution from the employee’s
17 account balance under the plan in such amount as
18 the employee may elect, including any amounts at-
19 tributable to a qualified cash or deferred arrange-
20 ment (as defined in subsection (k)(2)). The pre-
21 ceding sentence shall not apply in the case of any
22 portion of an account balance to which section
23 4974(f)(4)(B)(iii)(I) applies.”.

24 (ii) APPLICATION TO EMPLOYEE’S AN-
25 NUITIES.—Section 404(a)(2) of such Code

1 is amended by striking “and (37)” and in-
2 serting “(37), and (40)”.

3 (B) ANNUITY CONTRACTS.—

4 (i) CUSTODIAL ACCOUNTS.—Section
5 403(b)(7)(A) of such Code is amended by
6 adding at the end the following new flush
7 sentence:

8 “Notwithstanding clause (i), the custodial ac-
9 count shall permit an employee who certifies
10 that the employee is a taxpayer who is subject
11 to the distribution requirements of section
12 4974(f) to elect to receive a distribution from
13 the employee’s custodial account in such
14 amount as the employee may elect.”.

15 (ii) ANNUITY CONTRACTS.—Section
16 403(b)(11) of such Code is amended by
17 adding at the end the following new sen-
18 tence: “Notwithstanding subparagraphs
19 (A), (B), (C), and (D), the annuity con-
20 tract shall permit an employee who cer-
21 tifies that the employee is a taxpayer who
22 is subject to the distribution requirements
23 of section 4974(f) to elect to receive a dis-
24 tribution of contributions made pursuant
25 to a salary reduction agreement (within

1 the meaning of section 402(g)(3)) from the
2 employee’s annuity contract in such
3 amount as the employee may elect.”.

4 (C) GOVERNMENTAL PLANS.—Section
5 457(d)(1) of such Code is amended by adding
6 at the end the following new flush sentence:

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

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

19 “(O) DISTRIBUTIONS OF EXCESS BAL-
20 ANCES.—Distributions from an applicable re-
21 tirement plan (within the meaning of section
22 409B)) to the extent such distributions for the
23 taxable year do not exceed the amount required
24 to be distributed from such plan under section
25 4974(f).”.

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

4 “(3) ADDITIONAL WITHHOLDING FOR RE-
5 QUIRED DISTRIBUTIONS FROM HIGH BALANCE RE-
6 TIREMENT ACCOUNTS.—

7 “(A) IN GENERAL.—For purposes of this
8 section, a distribution pursuant to section
9 401(a)(40), the last sentence of section
10 403(b)(7)(A), the last sentence of section
11 403(b)(11), or the last sentence of section
12 457(d)(1) shall be treated as a nonperiodic dis-
13 tribution, except that in applying this sub-
14 section to such distribution—

15 “(i) paragraph (1) shall be applied by
16 substituting ‘37 percent’ for ‘10 percent’,
17 and

18 “(ii) no election may be made under
19 paragraph (2) with respect to such dis-
20 tribution.

21 “(B) EXCEPTION.—Subparagraph (A)
22 shall not apply to any qualified distribution
23 from a designated Roth account (within the
24 meaning of section 402A).”.

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

5 (d) EFFECTIVE DATES.—

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

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