KNOW GREATER VALUE™

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Tax Notes

Bipartisan Budget Act of 2018: More Changes to Employee Benefits

By Louis F. LiBrandi, EA, CEBS, ChFC, TGPC, Principal

The Bipartisan Budget Act of 2018 was signed on February 9, 2018. This agreement was needed to keep the government operating and avoid another government shutdown.

Contained in the legislation are policy riders that cover disaster relief, tax provisions and other policy changes including retirement-related provisions. Some of the retirement provisions included in this legislation were previously included in last year's Tax Cuts and Jobs Act (TCJA), but were dropped from the final law. A *prior* Employee Benefits Plan Newsletter discussed the modifications made to certain employee benefit plans by TCJA.

Changes to Retirement Plans

- Removal of the six-month prohibition on contributions to a retirement plan after a hardship withdrawal. This will require the IRS to modify its current regulations governing hardship distributions. This regulation would be effective for plan years beginning after December 31, 2018.

- Allow qualified nonelective contributions, qualified matching contributions and profit sharing contributions to be included in a hardship withdrawal. This modifies the rules relating to hardship withdrawals from cash or deferred arrangements to permit a plan to extend hardship distributions to amounts not previously permitted. This provision applies to plan years beginning after December 31, 2018. Included in this change would be the removal of the requirement to take a loan before taking a hardship withdrawal.

- Allow amounts (including interest) that are returned to an individual from the IRS as a result of an improper levy on an IRA or employer-sponsored retirement account to be recontributed to the plan without regard to normal contribution limits. This provision is effective for tax years beginning after December 31, 2017.

California Wildfire Relief

Special disaster-related rules for use of retirement funds for individuals impacted by the California wildfires.

- The 10% early withdrawal penalty applicable to qualified retirement plan distributions up to $100,000 made on or after October 8, 2017 and before January 1, 2019 would not be applicable. Qualified individuals may elect to include the qualified wildfire distribution in income ratably over a three-year period. Distributions can be repaid to the plan, if desired, within three (3) years. The individual receiving the distribution must have his principal place of residence in a declared wildfire disaster area and have sustained an economic loss due to the wildfires.

- The loan limit for these individuals is increased to 100% of plan assets up to $100,000.

- The loan repayment period is delayed for one (1) year, and does not count toward the repayment period of a loan, but interest will accrue during the delay.

Conclusion

The changes made by the TCJA and, most recently, the Bipartisan Budget Act of 2018 are significant for hardship withdrawal and loan programs that are included in qualified retirement and 403(b) plans. Plan sponsors will need to review and likely change their operations and communications regarding these programs.

Contact Us

The Employee Benefit Services Group at PKF O'Connor Davies is available to assist employers with information about the new tax law changes and how it affects retirement plans and health and welfare plans. Further Thought Leadership articles will be published as regulations are issued by the regulatory agencies. In the meantime, please contact Lou LiBrandi at llibrandi@pkfod.com or your PKF O'Connor Davies tax advisor.

About PKF O'Connor Davies

PKF O'Connor Davies, LLP is a full-service certified public accounting and advisory firm with a long history of serving clients both domestically and internationally. With roots tracing to 1891, nine offices in New York, New Jersey, Connecticut and Maryland, and more than 700 professionals, the Firm provides a complete range of accounting, auditing, tax and management advisory services. PKF O'Connor Davies is ranked 28th on *Accounting Today's* 2017 "Top 100 Firms" list and is recognized as one of the "Top 10 Fastest-Growing Firms." PKF O'Connor Davies is also recognized as a "Leader in Audit and Accounting" and is ranked among the "Top Firms in the Mid-Atlantic," by *Accounting Today.* In 2017, PKF O'Connor Davies was named one of the 50 best accounting employers to work for in North America, by *Vault*.

PKF O'Connor Davies is the lead North American representative in PKF International, a global network of legally independent accounting and advisory firms located over 400 locations, in 150 countries around the world.