

**MEMO# 30464**

December 8, 2016

## **ICI Submits Comments to Senator Wyden on RISE Act Discussion Draft**

[30464] December 8, 2016 TO: ICI Members SUBJECTS: Pension RE: ICI Submits Comments to Senator Wyden on RISE Act Discussion Draft

The Institute sent the attached letter to Senator Ron Wyden, Ranking Member of the Senate Finance Committee, in response to his request for comments on a discussion draft titled the Retirement Improvements and Savings Enhancements (RISE) Act of 2016.[\[1\]](#) The RISE Act discussion draft includes the following provisions, among others:

- Changes to Saver's Credit. The draft legislation would expand access to the Saver's Credit and transform it into a refundable match. Our letter recommends consideration of certain administrative complexities that would result.
- Repeal maximum age for traditional IRA contributions. The draft would repeal the maximum age for traditional IRA contributions, which would allow taxpayers to continue making traditional and Roth IRA contributions after age 70½. We are supportive of this change.
- Allow inherited plan and IRA balances to be rolled over within 60 days. The draft would allow non-spouse beneficiaries to move assets to an inherited IRA through an indirect (60-day) rollover. We are supportive of this change.
- Allow employers to make retirement matching contributions on student loan repayments. The draft would give plan sponsors the option to make matching contributions to their retirement plans based on student loan repayments made by employees who did not otherwise contribute to the retirement plan. We are supportive of this change.
- Cap on Roth IRA balances. The draft would prohibit further contributions to a Roth IRA if the total value of an individual's Roth IRAs exceeds the greater of (i) \$5 million or (ii) the balance as of December 31, 2016. The discussion draft also would require distributions of amounts over the cap. We explain that, although the provision is well-intended, significant administrative burdens would result from such a cap and we note that other anti-abuse provisions in the discussion draft would address the underlying concerns about large Roth IRA balances.
- Eliminate Roth conversions. The draft would eliminate all Roth conversions, for both IRAs and employer sponsored plans. Our letter opposes this change and recommends alternatives to addressing the "back door" Roth concern.
- Increase required minimum distribution (RMD) age. The draft would increase the RMD age from the current age 70½ to reflect changing patterns of retirement savings and increases to life expectancy. We support the increase and recommend a more substantial initial increase (to age 75) than the gradual increase proposed in the discussion draft.

- Exception from RMD rules when retirement savings is less than \$150,000. The draft would provide an exclusion from the RMD rules for small balance retirement savers. Although we support this change in principle, we note certain administrative complexities that are worth considering before moving forward with such a provision.
- Elimination of stretch IRAs. The draft would require IRA and plan balances to be distributed within five years of the death of the IRA owner or plan participant, unless the beneficiary is within 10 years of the account owner's age, an individual with special needs, a minor child, or the account owner's spouse. Our letter urges that if Congress determines to apply a 5-year distribution rule after the death of a retirement saver, any revenue resulting from enactment of this provision be used to support the tax incentives for retirement savings, not used to offset the cost of other legislative changes not related to retirement savings. Our letter also opposes any additional exception from the 5-year rule for annuities beyond the limited grandfather relief for binding annuity contracts in effect on the date of enactment.

The draft legislation also includes various anti-abuse provisions relating to IRAs and a provision to apply the RMD rules to Roth IRAs during the Roth IRA-owner's lifetime.

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#### [Attachment](#)

#### **endnotes**

[1] The discussion draft is available here:

<http://www.finance.senate.gov/imo/media/doc/RISE%20Act%20discussion%20draft%20text.pdf> and a summary is available here:

<http://www.finance.senate.gov/imo/media/doc/RISE%20Act%20discussion%20draft%20long%20summary.pdf>.