



NEWS YOU CAN USE

for Advisors and CPAs

March 2024

House Introduces Roth Rollover Bill

Hopeful news for clients who want to provide more rollover options to employees or utilize auto-portability services—a new bipartisan bill introduced in the House, **H.R. 6757**, would permit employees to rollover money directly from Roth IRAs to a Roth account in an employer-sponsored plan.

Prevalence of Roth retirement accounts has been increasing. According to a **2020 report** by the Investment Company Institute, an estimated 20.5% of U.S. households (roughly 26.3 million) owned Roth IRAs in 2020, up from 19.4% in 2019. While savers could roll qualified plan balances (Roth or pre-tax) into a Roth IRA, no rollovers were permitted from the Roth IRA into a qualified plan. This left a glaring gap in the ability of participants to keep their retirement savings consolidated. If enacted, the bill would improve the portability of Roth savings, hopefully permitting individuals to consolidate retirement savings and reduce fees.

The bill does, however, leave a number of issues open, which may present hurdles for employees:

- 1. What about the five-year holding period?** To obtain favorable tax treatment, an individual must wait five years before taking a withdrawal from a designated Roth account. Changing the Roth savings vehicle appears to re-start this 5-year holding period, creating a trap for unwary participants.
- 2. What about withdrawal options?** Roth IRAs permit exceptions to the general early withdrawal tax for events such as a first-time home purchase, birth or adoption



expenses, and college expenses. The bill does not add these general exemptions for employer-sponsored plans, providing a potential downside for participants.

This proposal is still in the bill stage — meaning there have been no changes to the law and no requirements or options have changed for clients. However, the current lack of portability for Roth accounts and the potential changes are extremely relevant, particularly for plans who may be considering a new auto-portability service (authorized under SECURE 2.0). Now is a great time to work with your TPA partner to give your clients a heads-up about potential issues and opportunities.



by Kelsey Mayo
Partner, Poyner Spruill

Kelsey's practice is focused in the areas of Employee Benefits and Executive Compensation. She works with business owners and HR executives to understand and manage employee benefits and executive compensation arrangements. She routinely represents clients before the Internal Revenue Service, Department of Labor, and Pension Benefit Guarantee Corporation and has extensive experience in virtually all aspects of employee benefit plans and executive compensation arrangements.

Reminders

- **March 15, 2024:** For plans other than EACAs, general deadline for calendar-year plans to distribute ADP/ACP refunds without incurring the 10% employer excise tax.
- **March 15, 2024:** General deadline for calendar-year plans applying for IRS waiver of minimum funding standards for defined benefit and money purchase pension plans.
- **April 1, 2024:** E-filing deadline with IRS for Form 1099-R for 2023 distribution.