

# IslerDare<sub>PC</sub>

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## Employee Benefits Update

December 2019

### Congressional Spending Bills Repeal Cadillac Tax and Other ACA Taxes and Pass Retirement Plan Changes

#### ***Repeal of Cadillac Tax and Other ACA Taxes.***

Ending years of speculation amid multiple delays, Congress permanently repealed the Affordable Care Act's ("ACA") 40% excise tax on generous health plans – known as the “Cadillac Tax” – as part of the spending bills necessary to extend federal funding. The Cadillac Tax was originally scheduled to take effect in 2018, but was twice delayed, most recently to 2022, due to widespread unpopularity. The Cadillac Tax would have imposed a 40% tax on employers for certain high-value employer-sponsored health plans with annual premiums over a maximum dollar threshold (projected to be \$11,200 for single coverage and \$30,150 for family coverage in 2020).

The spending bills also repealed two other ACA taxes: the 2.3% excise tax on medical devices, which originally took effect in 2013, but was then suspended for 2016 and 2017, and the health insurance providers industry fee, which took effect in 2014.

#### ***Retirement Plan Changes.***

As part of the spending bills, Congress also passed the “Setting Every Community Up for Retirement Enhancement Act”, or “SECURE Act”, and some other miscellaneous changes that impact retirement plans. Highlights of this new legislation include the following:

- The automatic contribution maximum for qualified automatic contribution arrangements (otherwise known as “QACA safe harbor plans”) has increased from 10% to 15%.
- Penalty-free retirement plan withdrawals of up to \$5,000 will be permitted in the case of birth or adoption of a child.
- Special disaster-related distributions will be exempt from the 10% early distribution penalty.
- The age by which retirement plan participants must begin receiving required minimum distributions (RMDs) of their plan benefits has been extended from 70-1/2 to 72.

### Important Dates

#### **January 13:**

- Post Schedule MB attachment from the Form 5500 for 2019 on company intranet, assuming Form 5500 was filed by October 15, 2019
- Fund Q4 2019 contribution to defined benefit pension plan

#### **January 31:**

- Report value of health coverage on Form W-2
- Verify retirement plan recordkeepers have provided Forms 1099-R to participants who received distributions in 2019
- File Form 945 to report income tax withheld from retirement plan distributions during 2019

- The fiduciaries of 401(k) and other defined contribution plans will have greater fiduciary protection if they decide to offer lifetime distribution options, such as annuities. In addition, retirement plans must provide plan participants with a lifetime income illustration.
- Small employers who meet certain conditions can benefit from financial incentives and credits to establish retirement plans and automatically enroll workers, and will also be able to pool together with other unrelated employers to form multiple employer plans.
- Long-term part-time workers who work more than 500 hours for their employer, for three consecutive years, would be eligible for coverage under employer-sponsored retirement plans.

Further details regarding the changes being introduced as part of the SECURE Act and the funding bills will be forthcoming as additional guidance is issued by the IRS and DOL.



If you have any questions about the repeal of the ACA taxes or the SECURE Act, or would like to discuss any other employee benefits issues, please contact any member of our Employee Benefits group below.

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