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## Bill Would Raise \$5,000 Cashout Threshold to \$8,000

BY JOHN IEKEL | JANUARY 30, 2020

### GOVERNMENT AFFAIRS

Legislation has been introduced on Capitol Hill that would increase the Code Section 411(a) limit on cashouts due to termination of employment – for the first time in more than two decades – and index it annually for inflation.

Rep. Gregorio Kilili Camacho Sablan (D-N. Marianas, At Large) on Jan. 24 introduced H.R. 5676, the **Retirement Plan Modernization Act**. Rep. Tim Walberg (R-MI) is its cosponsor. The bill would increase the amount of accrued benefits a retirement plan may distribute – via an automatic IRA rollover – after an employee terminates with that employer.

Sablan and Walberg argue that the bill would make it easier for small businesses to offer retirement plans and better manage the administrative expenses of retirement plans. They also say it will help control fees for employees.

The bill would amend Code Section 411(a)(11) by:

- amending subparagraph (A) to raise the limit from \$5,000 to \$8,000; and
- adding a subsection (E), which would raise that limit for plan years after 2019, at the same time and in the same manner as under Code Section 415(d), except that the base period would be the calendar quarter beginning July 1, 2018; furthermore, “any increase under that subparagraph which is not a multiple of \$50 shall be rounded to the next lowest multiple of \$50.”

**Said Walberg** in a press release, “Under current law, automatic IRA rollovers occur if a participant is no longer employed by the employer sponsoring the retirement plan and their balance is between \$1,000 and \$5,000. Congress has periodically adjusted the cash-out limit over the years to reflect increasing costs of administration; however, the last time it was updated was 1997. The Retirement Plan

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Modernization Act would raise the automatic IRA rollover limit, based on the rate of inflation, from \$5,000 to \$8,000 and allow for future increases to be indexed for inflation.”

H.R. 5676 was referred to two House committees: Education and Labor, and Ways and Means.

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Yes, it could affect retirement plans if exceptions aren't made. However, these participants...



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