KPMG

TaxNewsFlash

United States

No. 2019-380
July 24, 2019

House passes multiemployer pension bill

The U.S. House of Representatives yesterday evening passed, 264-169, H.R. 397, the "Rehabilitation for Multiemployer Pensions Act of 2019."

Prior to House passage, the bill that was previously reported by the Ways and Means Committee was modified in the House Rules Committee to add the following revenue-raising provisions:

- Modification of the after-death required minimum distribution rules for designated beneficiaries (generally effective for required minimum distributions with respect to employees or IRA owners with a date of death after December 31, 2019)
- Increase in Code section 6651(a) penalty for failure to timely file a return
- Increase in Code section 6652(d) penalties for failure to file retirement plan returns
- Increase information sharing to administer heavy vehicle use excise tax

KPMG observation

As noted above, a provision was added to this bill by the House Rules Committee that would, among other things, increase the section 6651(a)(1) minimum failure to file penalty from $330 to $435. This penalty was recently increased to $330 from $205, and a future inflation adjustment was added, by H.R. 3151, the "Taxpayer First Act," which became Pub. L. No. 116-25 on July 1, 2019.

Background

Focusing upon the funding crisis facing many multiemployer defined benefit plans (MEPs), the bill would create the Pension Rehabilitation Administration (PRA) within the U.S. Treasury Department. The PRA would be established not later than September 30, 2019, and would be authorized to make loans to certain MEPs. To qualify for a loan from the PRA, MEPs would have to meet a number of qualifications, including being (as of the date of enactment):

- In critical and declining status or for which a suspension of benefits has been approved,
- In critical status with a modified funded percentage of less than 40% and have a ratio of active to inactive participants which is less than two to five, or
- Insolvent, if they became insolvent after December 16, 2014, and not terminated

The loans made to qualified MEPs would be 30-year loans, with interest-only payments made for a period of 29 years, and a final interest and principal payment due in the 30th year after the date of the loan.

The Committee on Ways and Means previously approved H.R. 397 on July 10, by a vote of 25-17. Read ***TaxNewsFlash***. During his opening statement at the July 10 markup, Ways and Means Chairman Richard Neal (D-MA) said that:

> *The [bill] would give the millions of workers and retirees . . . the security that the retirement that they worked and planned for will be there in their golden years.*

Ranking member Kevin Brady (R-TX) delivered the following remarks at the House Rules Committee hearing on July 23:

> *Today's bill, if it were signed into law, would just force a future Congress to deal with this growing crisis. Union workers deserve – and demand – better from us. Rushing this partisan bill, with a price tag close to $140 billion over its 30 year life, is a huge mistake.*

CBO cost estimate

The Congressional Budget Office on July 23, 2019, released a **cost estimate** for H.R. 397.

Documents

- Read the **H.R. 397 legislative text** [PDF 104 KB]
- Read the JCT technical explanation of the bill, as modified by the House Rules Committee: **JCX-39-19**

What's next?

It is not clear whether or when the U.S. Senate might consider H.R. 397 or other legislation related to MEPs.

KPMG observation

In recent Congresses, it has been unusual for a tax bill reported by the Ways and Means Committee to be modified prior to action by the full House. In this Congress, H.R. 397 is not the only tax bill reported by Ways and Means to be modified prior to House floor action. For example, H.R. 1994, the "Setting Every Community Up for Retirement Enhancement Act of 2019" (the "SECURE Act") was modified by a manager's amendment after being reported by the Ways and Means Committee as was H.R. 3299, the "Promoting Respect for Individuals' Dignity and Equality Act of 2019" (the "PRIDE Act").

The proposed increase in the section 6651(a)(1) minimum failure to file penalty from $330 to $435 is also included in H.R. 3299, which also passed the House yesterday.

Direct comments, including requests for subscriptions, to Washington National Tax. For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to Washington National Tax.

Privacy | Legal