John Hancock
RETIREMENT PLAN SERVICES

REGULATORY/LEGISLATIVE ALERT

BENEFITS CONSULTING GROUP

Tax reforms potential impact on retirement plans

The "Tax Cuts and Job Act," (the "ACT") recently passed by the House Ways and Means Committee, if enacted in its current version, will impact qualified retirement plans in a variety of ways, none of which are arguably really substantive. However, it should be emphasized that while the first version of the bill would have dramatically impacted nonqualified plans, that provision was removed by a subsequent amendment.

ALERT

Potential Impact to Qualified Retirement Plans:

Some of the more salient provisions respecting qualified retirement plans include:

- The biggest impact, at this point, is no change at all, respecting the anticipated "Rothification" of 401(k) contributions (where Roth contributions would be required in lieu of pre-tax contributions in whole or in part). The change did not come to fruition, at least not at this point in the legislative process. Thus, 401(k) contributions can continue to be made on a pre-tax (and/or Roth) basis subject to the current limits.
- The elimination of the 6-month "safe harbor" suspension of 401(k) contributions following a hardship withdrawal.
- Expansion of amounts available for a 401(k) hardship to include employer contributions (e.g., QNECs and QMACs) and earnings on elective deferrals.
- An Employee who separates from service with an outstanding plan loan will have until the due date for filing of his/her tax return for the year to effectuate a rollover and thus defer taxation of the deemed distribution. **Note:** this change would not impact plan sponsors who permit loan continuation following separation from service.
- A defined benefit plan or a money purchase plan may allow in-service distributions as early as age 59½.
- The Act eliminates the "safe harbor" requirement that a participant take all available loans from the underlying retirement plan before requesting a hardship withdrawal.

Another change to qualified retirement plans was proposed in the Senate version of tax reform, as recently amended. This change would increase catch-up contributions from $6,000 to $9,000 but require all catch-up contributions to be made as Roth contributions. In an earlier version of the Senate proposal, individuals receiving wages of $500,000 or more in the preceding year would have been prevented from making catch-up contributions at all.

We expect many changes and other proposals to be debated and considered in the next few weeks, in both the House and the Senate, and we will keep you advised of further developments.

John Hancock Life Insurance Company (U.S.A.) (John Hancock USA), John Hancock Life Insurance Company of New York (John Hancock New York), and John Hancock Retirement Plan Services, LLC are collectively referred to as "John Hancock."

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John Hancock Retirement Plan Services, LLC, Boston, MA 02210.

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