

Federal Legislation Quick Guide

October 8, 2008

Pending Legislation—Retirement Plans

Note: The following charts summarize federal legislation that is currently under active consideration by Congress or has recently been enacted into law. In most cases, other bills have also been introduced on the same issue, but are not being actively considered by Congress at this time. For more information on the summarized bills, or to find other bills on the same issue, go to the Library of Congress Web site at <http://thomas.loc.gov>.

Executive and Nonqualified Deferred Compensation (NQDC)

Current Legislation	Emergency Economic Stabilization Act of 2008 (P.L. 110-343).
Status	P.L. 110-343 became law on October 3, 2008.
Details	Under P.L. 110-343 Division A, if troubled assets are purchased by Treasury, the law limits executive compensation that excludes incentives for senior officers to take unnecessary and excessive risk, require the financial institution to recover any bonus or incentive compensation based on statements of earnings or gains that are later proved inaccurate and prohibit financial institutions from making any golden parachute payments during the period troubled assets are held by Treasury. If purchases by Treasury exceed \$300 million, any new employment contract with a senior executive can not include a golden parachute payment in the event of involuntary termination or bankruptcy. Employers participating in the troubled assets program are not allowed a deduction for executive compensation in excess of \$500,000. P.L. 110-343 Division C treats nonqualified deferred compensation paid to U.S. taxpayers by certain types of foreign corporations as taxable as soon as the amounts are no longer subject to substantial risk of forfeiture. In addition, a new section (457A) applies the provision to tax-exempt employers.
Effective Date	Division A of P.L. 110-343 applies to taxable years ending on or after the date of enactment. The nonqualified deferred compensation provisions (Division C) apply to amounts deferred which are attributable to services performed after December 31, 2008.

Qualified Tuition Deduction

Current Legislation	Emergency Economic Stabilization Act of 2008 (P.L. 110-343).
Status	P.L. 110-343 became law on October 3, 2008.
Details	P.L. 110-343 extends the above the line deduction for qualified higher education expenses until December 31, 2009.
Effective Date	The provision is effective for taxable years beginning after December 31, 2007.

IRAs

Current Legislation	Emergency Economic Stabilization Act of 2008 (P.L. 110-343).
Status	P.L. 110-343 became law on October 3, 2008.
Details	H.R. 1424 will allow taxpayers to make tax-free contributions from their IRA plans to qualified charitable organizations until December 31, 2009.
Effective Date	The provision would be effective for distributions after December 31, 2007.

Disaster Relief

Current Legislation	Emergency Economic Stabilization Act of 2008 (P.L. 110-343).
Status	P.L. 110-343 became law on October 3, 2008.
Details	For all counties in the Midwest that are federally declare disaster areas, P.L. 110-343 waives the 10 percent penalty tax if a distribution from an IRA or other tax favored retirement plan (1) is made on or after the presidentially-declared disaster date and before January 1, 2010; (2) is made to an individual whose principal residence is in a disaster area; and (3) is less than or equal to \$100,000. The mandatory withholding rules applicable to eligible to rollover distributions will not apply, participants receiving qualified distributions will be permitted to spread the income tax over a three period, and amounts recontributed will not be includible in income. The law allows distributions for home purchases that were made from a 401(k) plan, 403(b) plan or IRA to be recontributed tax free (within 5 months after enactment) as long as the distributions were made six months before the applicable declared disaster date that were not finalized because of the disaster. The bill increases the amount that can be borrowed from a 401(k), 403(b), and 457(b) plan to the lesser of \$100,000 or 100 percent of the vested accrued benefit for loans made after the date of enactment and before January 1, 2010.
Effective Date	P.L. 110-343 became effective on October 3, 2008.