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Client Alert

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Tax Reform Highlights for Plan Sponsors

By Monica A. Novak

On December 22, 2017, President Trump signed into law H.R. 1, a congressional revenue act originally introduced in Congress as the Tax Cuts and Jobs Act (the "Act"). As we begin 2018, plan sponsors will need to understand the sections of the Act that impact the rules governing qualified plans, fringe benefits, equity compensation programs (for for-profit employers), and executive compensation rules (for for-profit employers and tax-exempt employers). The changes generally apply to tax years beginning after December 31, 2017.

Changes to Qualified Plan Rules. The Act makes changes to: (1) the rules that apply when an individual seeks to roll over a plan loan offset amount from a 401(k) plan or 403(b) plan to an eligible retirement plan that will accept the rollover, and (2) the circumstances under which an individual may take a hardship distribution from a 401(k) plan or a 403(b) plan for the purpose of paying expenses to repair damage to the individual's principal residence caused by a casualty loss. The Act also permits 401(k) plans, 403(b) plans, governmental 457(b) plans and IRAs to allow "qualified 2016 disaster distributions" to certain participants. More information about these changes can be found in our recent client alert Plan Sponsor Update – The Impact of Tax Reform on Qualified Plans and Fringe Benefits.

Changes to Fringe Benefit Rules. The Act changes certain income inclusion and deduction rules for employees and employers, including rules that apply to: (1) qualified transportation fringe benefits, (2) moving expenses, and (3) employer-provided meals. More information about these changes can be found in our recent client alert Plan Sponsor Update – The Impact of Tax Reform on Qualified Plans and Fringe Benefits.

Changes to Equity Compensation and Executive Compensation Rules. The Act makes changes to the $1 million deduction limit under Internal Revenue Code ("Code") Section 162(m). The Act also adds: (1) Code Section 83(i), which provides a deferral option for certain equity awards, and (2) Code Section 4960, which imposes a 21 percent excise tax on certain executive compensation paid by a tax-exempt employer. More information about these changes can be found in our client alert Executive Compensation Changes Under Tax Reform – An Update for Plan Sponsors.

Employee Benefits and Executive Compensation Team

Primary Contact

Monica A. Novak
Associate
Philadelphia
(215) 988-1114
monica.novak@dbr.com