Congressional Budget Office
Cost Estimate

September 23, 2022

At a Glance

S. 4808, Enhancing American Retirement Now Act

As reported by the Senate Committee on Finance on September 8, 2022

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	91	575	11,559
Revenues	-198	19,078	14,119
Increase or Decrease (-) in the Deficit	289	-18,503	-2,560
Spending Subject to Appropriation (Outlays)	0	120	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	> $5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Over Threshold

The bill would

- Provide matching payments for elective deferrals and contributions to individual retirement arrangements
- Increase the age at which required minimum distributions from retirement plans must begin
- Make a portion of disability-related distributions from pensions or annuities to first responders nontaxable
- Create a tax credit for small employers that offer new plans called secure deferral arrangements
- Create new rules for the use of retirement funds in connection with qualified federally declared disasters
- Require certain retirement plans to designate catch-up contributions as Roth contributions
- Allow certain employees to designate employer matching contributions as Roth contributions
- Limit partnerships' deductions for qualified conservation contributions

Estimated budgetary effects would mainly stem from

- Additional revenues attributable to requiring some retirement contributions to be made on an after-tax basis
- Reduced revenues attributable to provisions that would increase before-tax retirement contributions
- Increased outlays for refundable credits and other programs

Areas of significant uncertainty include

- Projecting contributions to and participation in retirement plans

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates such estimates into its cost estimates of the effects of legislation. Most of the estimates for the provisions of this bill were provided by JCT.

Detailed estimate begins on the next page.

Bill Summary

S. 4808 would amend portions of the Internal Revenue Code of 1986 related to retirement plans and tax-favored savings accounts. Several of the bill's provisions would reduce revenues significantly by providing matching payments for elective deferral and individual retirement arrangement (IRA) contributions and raising the age at which required minimum distributions from defined contribution retirement plans or traditional IRAs must begin. Other provisions would increase revenues by directing some retirement plans to require the designation of catch-up contributions as Roth contributions and allowing some plans to permit employees to designate their employers' matching contributions as Roth contributions.

Estimated Federal Cost

The estimated budgetary effect of S. 4808 is shown in Table 1. The costs of the legislation fall within budget function 600 (income security).

Basis of Estimate

The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) will be the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates those estimates into its cost estimates of the effects of legislation. Most of the estimates for the provisions in S. 4808 were provided by JCT.[1]

For this estimate, CBO and JCT assume that the bill will be enacted before the end of calendar year 2022 and that unless otherwise specified, provisions take effect upon enactment. The estimated changes in direct spending and revenues show effects in fiscal year 2022 to be consistent with previously published estimates by JCT. CBO expects those effects would be recorded in fiscal year 2023 given that there are only a few days left in the current fiscal year.

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1. For JCT's preliminary estimates of the provisions that include detail beyond the summary presented below, see Joint Committee on Taxation, *Estimated Revenue Effects of the Chairman's Mark of the "Enhancing American Retirement Now (EARN) Act" Scheduled for Markup by the Committee on Finance on June 22, 2022,* JCX-10-22 (June 17, 2022), www.jct.gov/publications/2022/jcx-10-22. Those estimates do not reflect modifications to the bill adopted during markup by the Senate Committee on Finance.

Table 1.
Estimated Budgetary Effects of S. 4808

	By Fiscal Year, Millions of Dollars												
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
Increases in Direct Spending													
Title I. Individual Retirement													
Estimated Budget Authority	0	0	0	0	10	60	2,276	2,119	2,098	2,161	2,125	70	10,848
Estimated Outlays	0	0	0	0	10	60	2,276	2,119	2,098	2,161	2,125	70	10,848
Title VI. Employer Plans													
Estimated Budget Authority[a]	0	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	91	113	92	80	67	60	52	47	40	35	31	503	708
Title X. Tax Court Retirement Provisions													
Estimated Budget Authority	0	1	*	*	*	*	*	*	*	*	*	2	3
Estimated Outlays	0	1	*	*	*	*	*	*	*	*	*	2	3
Total Increases in Direct Spending													
Estimated Budget Authority	0	1	0	0	10	60	2,276	2,119	2,098	2,161	2,125	72	10,851
Estimated Outlays	91	114	92	80	77	120	2,328	2,166	2,138	2,196	2,156	575	11,559
Increases or Decreases (-) in Revenues													
Title I. Individual Retirement													
Estimated Revenues	-23	-52	3,543	2,183	451	-1,780	-2,068	-2,168	-2,440	-2,678	-2,891	4,324	-7,926
On-Budget	*-23*	*-50*	*3,589*	*2,247*	*517*	*-1,710*	*-1,995*	*-2,092*	*-2,358*	*-2,592*	*-2,799*	*4,571*	*-7,270*
Off-Budget	*0*	*-2*	*-46*	*-64*	*-66*	*-70*	*-73*	*-76*	*-82*	*-86*	*-91*	*-247*	*-656*
Title II. Retirees													
Estimated Revenues	-147	-825	-703	-371	-300	-303	-305	-248	-96	129	-3,974	-2,652	-7,141
Title III. Public Safety Officers and Military													
Estimated Revenues	2	-210	-340	-398	-481	-535	-572	-610	-651	-693	-741	-1,962	-5,229
On-Budget	*2*	*-209*	*-339*	*-397*	*-480*	*-534*	*-571*	*-609*	*-650*	*-692*	*-740*	*-1,957*	*-5,219*
Off-Budget	*0*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-1*	*-5*	*-10*
Title IV. Nonprofits and Educators													
Estimated Revenues	**	6	17	28	32	37	44	44	42	37	33	121	319
On-Budget	*0*	*6*	*18*	*29*	*33*	*39*	*46*	*47*	*45*	*41*	*37*	*126*	*340*
Off-Budget	*0*	*0*	*-1*	*-1*	*-1*	*-2*	*-2*	*-3*	*-3*	*-4*	*-4*	*-5*	*-21*
Title V. Disaster Relief													
Estimated Revenues	-158	-476	-676	-194	381	-76	-138	-142	-146	-150	-154	-1,200	-1,929
Title VI. Employer Plans													
Estimated Revenues	40	127	-66	-279	-440	-565	-879	-1,081	-1,245	-1,428	-1,644	-1,186	-7,466
On-Budget	*39*	*122*	*-28*	*-216*	*-369*	*-486*	*-794*	*-989*	*-1,147*	*-1,323*	*-1,533*	*-942*	*-6,729*
Off-Budget	*1*	*5*	*-38*	*-63*	*-71*	*-79*	*-85*	*-92*	*-98*	*-105*	*-111*	*-244*	*-737*
Title XI. Revenue Provisions													
Estimated Revenues	89	2,053	4,518	4,881	4,840	5,289	4,838	4,906	4,546	4,135	3,687	21,671	43,785

Table 1.
Estimated Budgetary Effects of S. 4808

Effect of Interactions Among Titles													
Estimated Revenues	0	-1	-2	-7	-12	-17	-40	-45	-50	-57	-62	-39	-293
Total Revenues	**-198**	**621**	**6,292**	**5,844**	**4,472**	**2,050**	**880**	**656**	**-39**	**-706**	**-5,746**	**19,078**	**14,119**
On-Budget	*-199*	*619*	*6,378*	*5,973*	*4,611*	*2,202*	*1,041*	*828*	*145*	*-510*	*-5,539*	*19,579*	*15,543*
Off-Budget	*1*	*2*	*-86*	*-129*	*-139*	*-152*	*-161*	*-172*	*-184*	*-196*	*-207*	*-501*	*-1,424*
Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	289	-507	-6,200	-5,764	-4,395	-1,930	1,448	1,510	2,177	2,902	7,902	-18,503	-2,560
On-Budget	*290*	*-505*	*-6,286*	*-5,893*	*-4,534*	*-2,082*	*1,287*	*1,338*	*1,993*	*2,706*	*7,695*	*-19,004*	*-3,984*
Off-Budget	*-1*	*-2*	*86*	*129*	*139*	*152*	*161*	*172*	*184*	*196*	*207*	*501*	*1,424*
Increases or Decreases (-) in Spending Subject to Appropriation													
Estimated Authorization	0	55	5	10	20	30	n.e.	n.e.	n.e.	n.e.	n.e.	120	n.e.
Estimated Outlays	0	10	15	30	30	35	n.e.	n.e.	n.e.	n.e.	n.e.	120	n.e.

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

Components may not sum to totals because of rounding; * = between -$500,000 and $500,000; ** = negligible revenue effect.

The estimated changes in direct spending and revenues show effects in fiscal year 2022 to be consistent with previously published estimates by the staff of the Joint Committee on Taxation. CBO expects those effects would be recorded in fiscal year 2023 given that there are only a few days left in the current fiscal year.

a. Because the Pension Benefit Guaranty Corporation has permanent authority to spend from its revolving funds, enacting title VI would not affect budget authority.

Direct Spending

In total, CBO and JCT estimate, S. 4808 would raise outlays by $11.6 billion over the 2022-2032 period. Two provisions contained in title I, Individual Retirement, and one provision in title VI, Employer Plans, account for nearly all of that increase.

Section 102. This section would make a tax credit for contributions to a retirement plan refundable. The credit would be paid up front as federal matching contributions and deposited into a taxpayer's IRA or retirement plan. Under current law, the credit is nonrefundable, and is claimed on an individual's tax return. JCT estimates that enacting the provision, which would take effect for tax years starting in 2027, would increase outlays by $9.5 billion over the 2022-2032 period.

Section 121. This section would raise the age of disability onset required to open an Achieving a Better Life Experience (ABLE) account. Under current law, people whose blindness or other qualifying disability occurs before age 26 may open an account or have an account opened on their behalf; this provision would raise that age to 46. CBO and JCT estimate that beginning in 2026 the provision would increase outlays for Supplemental Security Income, Medicaid, and Medicare by $1.3 billion over the 2022-2032 period. Section 121 also would affect revenues, as discussed below.

Section 613. This section would modify the mortality tables that specify the probability of survival year-by-year for an individual and are used to develop minimum funding standards for certain defined benefit pension plans. As a result, increases in life expectancies would be limited. Some plans now pay premiums to the Pension Benefit Guaranty Corporation (PBGC) on the basis of their degree of measured underfunding. Enacting section 613 would reduce those premiums, thus increasing net outlays by $708 million over the 2022-2032 period, CBO estimates. Section 613 also would affect revenues, as discussed below.

Revenues

In total, JCT estimates, S. 4808 would increase revenues by $14.1 billion over the 2022-2032 period, raising on-budget revenues by $15.5 billion and reducing off-budget revenues by $1.4 billion.

Title I, Individual Retirement. Title I would modify the tax treatment of some retirement plans, in part by changing the rules that affect plan contributions and by allowing withdrawals for certain emergencies. JCT estimates that title I would reduce total revenues by $7.9 billion over the 2022-2032 period. Four provisions would affect off-budget revenues over that period, reducing those revenues by $656 million. The provisions in title I with the largest revenue effects are listed here.

Section 104 would allow employers to make and employees to receive matching contributions to retirement plans when an employee makes payments on student loans. Under current law, employers may make matching contributions when workers make elective deferrals (contributions made by an employer at the employee's election) to retirement plans. The bill would allow employers to make matching contributions to 401(k), 403(b), or 457(b) plans or to a Savings Incentive Match Plan for Employees (SIMPLE) IRA when an employee makes a student loan payment. Under the bill, the total payments for a year could not exceed the amount of elective deferrals that an employee could otherwise contribute under current law, and the payments would be reduced by any elective deferrals made by the employee for the year. JCT estimates that enacting section 104 would reduce revenues by $1.9 billion over the 2022-2032 period; of that amount, $377 million would be off-budget.

Section 105 would allow withdrawals from retirement accounts for some emergencies. Under current law, an additional 10 percent tax applies to early distributions from 401(k), IRA, and other tax-preferred retirement accounts. The provision would exempt from taxation some distributions used for unforeseeable emergencies or to meet immediate financial expenses relating to personal or family emergencies. The provision would take effect in 2024. JCT estimates that enacting section 105 would reduce revenues by $1.5 billion over the 2022-2032 period.

Section 106 would permit additional nonelective contributions to SIMPLE accounts. Under current law, a SIMPLE account can be an IRA for each employee or it can be a qualified cash or 401(k) deferred arrangement. Employees may contribute in the form of elective deferrals, and employers must make annual matching contributions or nonelective contributions. Section 106 would permit employers to make additional contributions uniformly for each employee, provided that contributions do not exceed the lesser of 10 percent of compensation or $5,000 (adjusted annually for inflation). The proposal also would increase the IRA contribution limit as it applies to SIMPLE IRAs to account for the additional nonelective contribution permitted under the proposal. The provision would take effect in 2024. JCT estimates that enacting section 106 would reduce revenues by $723 million over the 2022-2032 period; of that amount, $217 million would be off-budget.

Section 109 would raise the limits on catch-up contributions to employer-sponsored retirement plans. Under current law, starting at age 50, employees can make additional annual contributions to 401(k), 403(b), governmental section 457(b), and SIMPLE plans. For 2021, the catch-up limit for most plans is set at $6,500 and the SIMPLE limit is $3,000 (both amounts are adjusted annually for inflation). The bill would raise the catch-up amount for employer-sponsored plans to $10,000 and increase the SIMPLE amount to $5,000. The new limit would apply to someone who was at least 60 years old but would not turn 64 by the end of the tax year. JCT estimates that enacting section 109 would reduce revenues by $1.8 billion over the 2022-2032 period.

Section 112 would eliminate the additional tax on corrective distributions on excess contributions (corrective distributions occur when annual contributions to a retirement plan exceed certain limits). Current law requires a corrective distribution for excess contributions by an individual or employer to an IRA. That distribution includes the excess contribution and any earnings allocable to it. Section 112 would exempt the excess contribution and those earnings from the 10 percent additional tax on early distributions. JCT estimates that enacting section 112 would reduce revenues by $572 million over the 2022-2032 period.

Section 120 would allow variable annuities to offer insurance-dedicated exchange-traded funds (ETFs), which are pooled investment vehicles traded on stock exchanges. ETFs are widely available through retirement plans and taxable investment accounts. Under current law, ETFs are not generally available through individual variable annuities because ETFs cannot satisfy the regulatory requirements for being insurance dedicated.[2] The bill would direct the Department of the Treasury to revise the regulations to allow ETFs to be offered through individual variable annuities. JCT estimates that enacting section 120 would reduce revenues by $938 million over the 2022-2032 period.

2. A variable annuity is an insurance contract that periodically pays the insured a fixed amount. The annuity's value is based on the performance of an underlying portfolio of investments, with no guaranteed return on earnings.

Section 121 would raise from 26 to 46 the age of disability onset required for qualified ABLE accounts. The proposal applies to tax years starting in 2026. JCT estimates that the provision would reduce revenues by $13 million over the 2022-2032 period. As discussed above, enacting section 121 also would affect direct spending outlays.

Title II, Retirees. Among the provisions of title II are those that would raise the age for mandatory distributions from certain retirement plans, establish the Retirement Savings Lost and Found database to help beneficiaries recover lost plan benefits, and create a onetime election for charitable distributions. JCT estimates that provisions in title II would reduce revenues by $7.1 billion over the 2022-2032 period. Provisions in the following sections would have the largest effects.

Section 201 would raise the age at which mandatory distributions begin. Under current law, tax-preferred retirement savings plans and IRAs generally must begin distributions once the account owner reaches age 72. Starting in 2032, this provision would raise the age to 75. JCT estimates that enacting section 201 would reduce revenues by $4.4 billion in 2032.

Section 202 would allow for increases in the premium limit applied to qualified longevity annuity contracts (QLACs), which provide annuities under defined contribution plans that start at an advanced age (but no later than age 85) and meet certain other requirements. Among other requirements, QLAC premiums cannot exceed $145,000 (in 2022, adjusted annually for inflation) or 25 percent of the participant's account balance. The provision would eliminate the 25 percent threshold, increase the dollar limit to $200,000 (adjusted annually for inflation), and clarify that survivor benefits may be paid in case of a divorce. JCT estimates that enacting section 202 would reduce revenues by $874 million over the 2022-2032 period.

Section 203 would permit a commercial annuity issued by a tax-preferred retirement plan to provide for certain features generally not permitted under current law, such as a guaranteed increase in annual annuity payments of up to 5 percent per year and lump sum payments that reduce the annuity payment period. JCT estimates that enacting section 203 would increase revenues by $741 million over the 2022-2032 period.

Section 204 would permit owners of a tax-preferred retirement account that also contains an annuity to aggregate distributions from both portions of the account for purposes of determining minimum distributions. Under current law, in such cases, the account must be bifurcated between the portion of the account holding the annuity and the rest of the account for the purpose of applying the required minimum distribution rules. The proposed change would provide an incentive for more taxpayers to opt to annuitize part of their account balances, which would boost taxable distributions earlier in their retirement. The higher revenues from those distributions would be offset in part by smaller distributions in future years, when taxpayers would be subject to lower minimum required distributions. JCT

estimates that enacting section 204 would increase revenues by $644 million over the 2022-2032 period.

Section 208 would require the Department of the Treasury to establish the Retirement Savings Lost and Found to collect unclaimed pension balances of up to $1,000 from pension funds and maintain a database that allows people to locate their balances and contact plans in which they participated. JCT estimates that enacting section 208 would reduce revenues by $431 million over the 2022-2032 period. Section 208 also would affect spending subject to appropriation, discussed below.

Section 210 would allow for a onetime election for a qualified charitable distribution to a split-interest entity, a vehicle for charitable giving that grants ownership of an asset to a charity, with the donor earning a stream of income from the asset. It also would allow for an increase in the limit on qualified charitable distributions. JCT estimates that enacting section 210 would reduce revenues by $1.9 billion over the 2022-2032 period.

Section 212 would allow a surviving spouse to elect to be treated as the deceased employee for purposes of required minimum distributions. The provision would take effect in 2024. JCT estimates that enacting section 212 would reduce revenues by $1.1 billion over the 2022-2032 period.

Title III, Public Safety Officers and Military. Title III would change certain rules for retirement plans for public safety officers and the military. JCT estimates that title III would reduce total revenues by $5.2 billion over the 2022-2032 period. One provision in title III (section 301) would affect off-budget revenues over that period, reducing those revenues by $10 million. Section 303 and section 304 also would reduce revenues.

Section 303 would allow certain disability-related retirement payments to first responders to be excluded from gross income. Disability payments generally are excluded from gross income for income tax purposes. However, some employers terminate those payments once recipients reach full retirement age and become eligible for pension benefits. Current law does not provide for a continuation of the gross income exclusion in such cases. Section 303 would continue the gross income exclusion. JCT estimates that enacting section 303 would reduce revenues by $4.7 billion over the 2022-2032 period.

Section 304 would repeal the direct payment requirement for distributions from governmental plans used to pay health and long-term-care insurance premiums. Current law provides an annual exclusion of up to $3,000 from gross income for a distribution from a governmental retirement plan to pay public safety officers' health insurance premiums as long as the plan pays the premiums directly. Section 304 would repeal the direct-payment requirement. JCT estimates that enacting section 304 would reduce revenues by $377 million over the 2022-2032 period.

Title IV, Nonprofits and Educators. Title IV would change certain rules for retirement plans for nonprofit entities and for educators. JCT estimates that the provisions would increase total revenues by $319 million over the 2022-2032 period. One provision in title IV (section 403) would affect off-budget revenues over that period, reducing revenues by $21 million. Section 402 would increase revenues, and section 403 would reduce revenues.

Section 402 would make technical modifications to make the hardship distribution rules that apply to 403(b) plans conform to those for 401(k) plans, for example to allow hardship distributions to be made from earnings on elective deferrals held in 403(b) custodial accounts. JCT estimates that enacting section 402 would increase revenues by $530 million over the 2022-2032 period.

Section 403 would provide new rules for 403(b) retirement plans that are similar to rules enacted in the Setting Every Community Up for Retirement Enhancement Act of 2019, which affected multiple-employer, defined contribution plans (such as 401(k) plans). Section 403 would extend those rules to 403(b) plans, clarifying that that the plans may be established as multiple-employer plans and that disclosure rules under the Employee Retirement Income Security Act would therefore apply and would provide relief from the "one bad apple" rule.[3] JCT estimates that enacting section 403 would reduce revenues by $211 million over the 2022-2032 period; of that amount, $21 million would be off-budget.

Title V, Disaster Relief. Title V would create special rules for the use of retirement funds in connection with qualified federally declared disasters.

Section 501 would allow up to $22,000 to be distributed from employer retirement plans or IRAs for affected individuals in the event of a qualified disaster. It also would stipulate that such distributions would not be subject to the 10 percent additional tax and that the distributions would be included in gross income over the course of three years. Distributions could be repaid to tax-preferred retirement accounts. Additionally, amounts distributed before a disaster to purchase a home could be recontributed, and an employer would be permitted to provide for a larger amount to be borrowed from a plan and to allow longer repayment terms for such loans. The provision would be effective for disasters occurring on or after February 25, 2021. JCT estimates that enacting section 501 would reduce revenues by $1.9 billion over the 2022-2032 period.

Title VI, Employer Plans. Title VI would change certain rules for retirement plans, including creating a credit for certain employers that establish retirement plans, modifying rules for "top-heavy" retirement plans, and increasing the annual contribution limits for SIMPLE plans. JCT estimates that title VI would reduce total revenues by $7.5 billion over the 2022-2032 period. Six sections in title VI would reduce off-budget revenues over that

3. The qualified status of the plan as a whole is determined with respect to all employers maintaining the plan, and the failure by one employer (or by the plan itself) to satisfy an applicable qualification requirement may result in disqualification of the plan with respect to all employers. This is sometimes referred to as the one bad apple rule.

period by $737 million (sections 601, 607, 608, 612, 613, and 614, described below). Several sections also would have notable revenue effects.

Section 601 would provide a tax credit for plans that that meet modified "safe harbor" requirements (under certain circumstances such a plan protects taxpayers from penalties). The bill would establish a new automatic enrollment plan, called a secure deferral arrangement, that would be in addition to an existing automatic-enrollment 401(k) safe harbor plan. The new arrangement would provide an alternative for satisfying nondiscrimination testing. Those tests ensure that the rates of elective deferrals and percentages of matching contributions of highly compensated employees do not exceed the rates and percentages of non-highly-compensated employees by more than specified amounts. Small employers—those with 100 or fewer employees—would be eligible for the tax credit if they adopt a plan that satisfies the default enrollment requirements and employer matching contributions. The provisions would take effect in 2024. JCT estimates that enacting section 601 would reduce revenues by $3.3 billion over the 2022-2032 period; of that amount, $345 million would be off-budget.

Section 602 would allow top-heavy retirement plans to exclude some employees from consideration in determining whether any plan of the employer satisfies the top-heavy minimum contribution requirement. A plan generally is considered top heavy if the present value of cumulative accrued benefits or the aggregate accounts for key employees exceeds 60 percent of the cumulative accrued benefits or aggregate accounts for all employees.[4] Under current law, top-heavy rules ensure that the benefits of employer-sponsored retirement plans are not overly concentrated among higher-compensated employees. The bill would allow retirement plans to exclude certain employees (for example, workers under age 21 who have less than a year of employment) in identifying whether a plan satisfies the minimum contribution requirement for a top-heavy plan, thus reducing the risk to employers of allowing those employees to participate. JCT estimates that enacting section 602 would increase revenues by $408 million over the 2022-2032 period.

Section 603 would increase the credit limitation for the startup costs certain employers face in setting up small-employer pension plans. Under current law, eligible employers that create such plans can receive a nonrefundable income tax credit equivalent to 50 percent of the plan's start-up costs. Under the proposal, certain employers could claim 75 percent of the qualified costs. JCT estimates that enacting section 603 would reduce revenues by $628 million over the 2022-2032 period.

Section 606 would provide a permanent safe harbor method for corrections of failures related to elective deferrals in 401(k) or 403(b) plans, such as errors in automatic enrollment or automatic contributions. Under current law, that method is available only until December 31,

4. Present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) at a specific time. The value depends on the rate of interest (called the discount rate) used to translate future cash flows into current dollars.

2023. Section 606 also would clarify that a correction for automatic contributions can be made even if an individual is no longer employed at the time of the correction. JCT estimates that enacting section 606 would increase revenues by $577 million over the 2022-2032 period.

Section 607 would reform the family attribution rule. Current law requires separate businesses to be treated as single employers for various tax rules applicable to retirement plans based on the degree of common ownership of those separate businesses. Various rules attribute ownership of a business by one family member to other family members. Section 607 would modify those rules to provide that an individual in a community property state would not be treated as owning shares in a business owned by his or her spouse merely because the individual has a community share in the spouse's property. The provision also would disaggregate two businesses if the only common ownership link is on account of attribution of parental ownership to a child or on account of a stock option held by a minor child to acquire an ownership interest in either business. The provision would take effect in 2024. JCT estimates that enacting section 607 would reduce revenues by $1.2 billion over the 2022-2032 period; of that amount, $186 million would be off-budget.

Section 608 would increase the annual contribution limit for SIMPLE IRAs and SIMPLE 401(k) plans. This provision would increase the annual deferral limit to $16,500 (adjusted annually for inflation) and the catch-up contribution at age 50 to $4,750 (adjusted annually for inflation) for plans sponsored by employers with no more than 25 employees. Employers with 26 to 100 employees could provide the higher deferral limits if they provide either a 4 percent matching contribution or a 3 percent employer contribution. The proposal would make similar changes to contribution limits for SIMPLE 401(k) plans. The provision would take effect in 2024. JCT estimates that enacting section 608 would reduce revenues by $1.7 billion over the 2022-2032 period; of that amount, $374 million would be off-budget.

Section 610 would establish a starter 401(k) plan for employers without retirement plans. The starter 401(k) plan would be deferral only, meaning that employers could not make matching or nonelective contributions to the plan. The provision also would allow for a similar 403(b) plan. JCT estimates that enacting section 610 would reduce revenues by $479 million over the 2022-2032 period.

Section 612 would provide a $500 nonrefundable income tax credit for employers who provide a reenrollment provision as part of an automatic contribution arrangement. Under such a provision, unless they opt out, eligible employees are reenrolled for automatic contributions in each plan year. JCT estimates that enacting section 612 would reduce revenues by $685 million over the 2022-2032 period; of that amount, $59 million would be off-budget.

Section 613 would modify the mortality tables that specify the probability of survival year-by-year for an individual and are used to develop minimum funding standards for

certain defined benefit pension plans. That provision would result in employers' contributions to pension plans that are lower than under current law. Employers can deduct their pension fund contributions from taxable income, and JCT estimates that the reduction in contributions would result in $898 million in increased revenues from corporate income tax collections over the 2022-2032 period; of that amount, $132 million would be off-budget. As discussed above, enacting section 613 also would affect direct spending outlays.

Section 614 would alter the rules for funding retiree health benefits in pension plans. Under current law, until 2026, excess pension assets of a defined benefit plan can be used to fund retiree health benefits and group term life insurance benefits. Section 614 would extend the expiration date to December 31, 2032, and create a rule allowing more small transfers to health plans. JCT estimates that enacting section 614 would increase revenues by $730 million over the 2022-2032 period; of that amount, $95 million would be off-budget.

Section 615 would provide for a deferral of tax for certain sales of employer stock to employee stock ownership plans (ESOPs) sponsored by S corporations. ESOPs are retirement plans that are invested in the stock of the employing entity. Section 615 would permit the owner of employer stock issued by an S corporation to defer 10 percent of the long-term capital gain from the sale of that stock to an ESOP, starting in 2028. JCT estimates that enacting section 615 would reduce revenues by $1.7 billion over the 2022-2032 period.

Title XI, Revenue Provisions. This title contains four provisions that JCT estimates would increase revenues by a total of $43.8 billion over the 2022-2032 period.

Section 1101 would allow Simplified Employee Pension and SIMPLE IRA plans to be designated as Roth IRAs. JCT estimates that enacting section 1101 would increase revenues by $735 million over the 2022-2032 period.

Section 1102 would require certain retirement plans to designate catch-up contributions as after-tax Roth contributions. Under current law, employees age 50 or older can make additional contributions to retirement plans, usually on a before-tax basis. The bill would require catch-up contributions to be made on as Roth contributions for certain government and private-sector plans. JCT estimates that enacting section 1102 would increase revenues by $21.7 billion over the 2022-2032 period.

Section 1103 would permit an employee to elect to treat employer matching and other employer contributions as after-tax Roth contributions, starting in 2024. JCT estimates that enacting section 1103 would increase revenues by $13.7 billion over the 2022-2032 period.

Section 1104 would limit certain charitable contributions made by a partnership in a syndicated conservation easement transaction, which is a shared investment in land that is donated for conservation. In the case of a partnership, the contribution would not be a qualified charitable contribution if the amount exceeds 2.5 times the sum of each partner's basis in the partnership. (A partner's basis is generally the amount of their capital investment

in the property being contributed.) JCT estimates that enacting section 1104 would increase revenues by $7.7 billion over the 2022-2032 period.

Effect of Interactions Among Titles. JCT estimates that interactions among multiple titles in S. 4808 would reduce receipts by $293 million beyond what is included in the estimates above. The interaction effect primarily includes new policies contained in the bill; for example, section 610 of title VI and section 403 of title IV interact with the expanded credit for retirement contributions in section 102 of title I.

Spending Subject to Appropriation

Two provisions in S. 4808 would increase spending subject to appropriation. CBO estimates that, together, those provisions would cost $120 million over the 2022-2027 period, assuming appropriation of the estimated amounts (see Table 2).

Section 122. This section would require the Treasury to provide to the states in digital form the last known mailing address for holders of matured savings bonds in their state. The Treasury would report annually on the progress of providing that information. In fiscal years 2020 and 2021, the Treasury was appropriated $50 million to digitize and distribute matured savings bond information and has reported that it is working to digitally update some savings bonds records, primarily dating back to 1957, and that it has begun to work with states, associations, and government agencies to identify the bonds' owners. CBO expects that costs to continue the effort would be similar, especially for digitizing older records. CBO estimates that implementing section 122 would cost $50 million over the 2022-2027 period.

Section 208. As discussed above, this section would require the Department of the Treasury to establish the Retirement Savings Lost and Found to collect unclaimed pension balances of up to $1,000 from pension funds and maintain a database that allows people to locate their balances to contact the plans in which they participated. The program would cover defined benefit plans as well as 401(k) and other defined contribution plans. The department would be required to establish the program within three years of enactment. For this provision, CBO assumes that the necessary amounts would be provided in each year beginning in 2023.

Under current law, if a pension plan terminates but cannot locate a participant who is owed benefits, the funds are transferred to the PBGC Missing Participants Program. The new program would be much larger than the current-law program because it would apply to all plans, not just those that have been terminated.

Under current law, when a worker with accrued pension benefits of less than $5,000 leaves an employer, the pension plan may distribute the balance to the worker instead of maintaining that worker in the plan. Section 208 would increase the threshold to $6,000. The section also would require unclaimed accrued benefits of less than $1,000 to be transferred to the department, which would hold the assets as a trustee for the worker until the benefits

were claimed. Because those assets would still belong to the worker, the transfer would not be considered a governmental receipt.

CBO estimates that implementing section 208 would cost $70 million over the 2023-2027 period. Costs over the first four years would mainly be for planning. Beginning in 2025, spending also would cover the initial operating costs and the costs of hardware and software for the online system. (Using data about similar programs, CBO expects that more than three years would be needed to implement the new program.)

Table 2.
Estimated Increases in Spending Subject to Appropriation Under S. 4808

	By Fiscal Year, Millions of Dollars						
	2022	2023	2024	2025	2026	2027	2022-2027
Assistance to Recover Unclaimed Savings Bonds							
Estimated Authorization	0	50	0	0	0	0	50
Estimated Outlays	0	5	10	20	10	5	50
Retirement Savings Lost and Found							
Estimated Authorization	0	5	5	10	20	30	70
Estimated Outlays	0	5	5	10	20	30	70
Total Changes							
Estimated Authorization	0	55	5	10	20	30	120
Estimated Outlays	0	10	15	30	30	35	120

Uncertainty

CBO and JCT's estimates of the budgetary effects of S. 4808 are subject to uncertainty because they are made on the basis of underlying projections and other estimates that could change significantly. Specifically, estimates for many of the bill's revenue provisions rely on projections of contributions to and participation in retirement plans, which in turn are based on CBO's economic projections for the next decade under current law and on estimates of the way taxpayers could change their saving behavior in response to changes in retirement plans' rules.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in revenues that are subject to those pay-as-you-go procedures are shown in Table 3. Only on-budget changes to outlays or revenues are subject to pay-as-you-go procedures.

Table 3.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of S. 4808, the Enhancing American Retirement Now Act, as reported to the Senate on September 8, 2022

	By Fiscal Year, Millions of Dollars												
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2022-2027	2022-2032
	Net Increase or Decrease (-) in the On-Budget Deficit												
Pay-As-You-Go Effects	290	-505	-6,286	-5,893	-4,534	-2,082	1,287	1,338	1,993	2,706	7,695	-19,004	-3,984
Memorandum:													
Changes in Outlays	91	114	92	80	77	120	2,328	2,166	2,138	2,196	2,156	575	11,559
Changes in Revenues	-199	619	6,378	5,973	4,611	2,202	1,041	828	145	-510	-5,539	19,579	15,543

Sources: Congressional Budget Office; staff of the Joint Committee on Taxation.

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes to outlays and revenues that are subject to those procedures are shown here. Enacting S. 4808 would increase the off-budget deficit by $1,424 million over the 2022-2032 period; those costs are not counted for Statutory Pay-As-You-Go purposes.

Increase in Long-Term Deficits

CBO and JCT estimate that enacting S. 4808 would increase on-budget deficits by more than $5 billion in each of the four consecutive 10-year periods beginning in 2033.

Mandates

CBO and JCT have determined that the S. 4808 would not impose any intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

JCT has determined that the tax provisions of the bill would impose private-sector mandates as defined in UMRA by generally limiting elective deferrals to the regular contribution limit and by mandating that certain charitable contributions made by partnerships in syndicated conservation easement transactions would not be treated as qualified conservation contributions. Based on information from JCT, CBO estimates that the aggregate cost of the mandates imposed by the bill would exceed the annual private-sector threshold established in UMRA ($184 million in 2022, adjusted annually for inflation).

Other tax provisions, particularly the removal of required minimum distribution barriers for life annuities and the optional treatment of employer matching and nonelective contributions as Roth contributions, would not impose mandates because the increase in estimated revenues would be a consequence of elective behavior by the taxpayer.

The nontax provisions of S. 4808 would not impose private-sector mandates as defined in UMRA.

Previous CBO Estimate

On September 2, 2021, CBO transmitted a cost estimate for H.R. 2954, the Securing a Strong Retirement Act, as ordered reported by the House Committee on Ways and Means on May 5, 2021. Some, but not all, of the provisions in H.R. 2954 are similar to those of this bill: Both bills would raise the age at which required minimum distributions from retirement plans must begin, increase the current credit for start-up costs incurred by an employer adopting a new plan, raise the limits for catch-up contributions, and establish the Retirement Savings Lost and Found. Both bills also would require certain retirement plans to designate catch-up contributions as Roth contributions and allow SIMPLE plans to be designated as Roth IRAs.

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