



- ⦿ Accelerated Vesting Schedules – requires all Employer contributions to be on a maximum six-year graded vesting schedule or a three year cliff. This applies to all plan years beginning after 2006. Plans will no longer be able to utilize “non top-heavy” schedules such as the seven-year graded and five year cliff.
- ⦿ AGI Limit on Roth Conversions – for tax years beginning after December 31, 2009, the \$100,000 modified AGI limit on conversions of traditional IRAs to Roth IRAs is eliminated.
- ⦿ Automatic Enrollment – for plan years beginning after 2007, the Act provides incentives for automatic enrollment in 401(k) plans. There will now be an ERISA exemption from state payroll withholding laws, fiduciary relief for investment of participant account balances in certain default investments, and 90 days from the initial payroll reduction for participants to opt out and receive penalty-free return of automatic elective contributions.
- ⦿ DB(K) – Defined Benefit-401(k) Combination plan – for plan years beginning after 2009, a small employer (500 employees or fewer) may establish a combined defined benefit-401(k) plan. The plan is governed by one document and there is specific accounting for the defined benefit and defined contribution portions of the trust. The defined benefit component has to satisfy minimum accrual requirements and the 401(k) must have automatic enrollment and must meet minimum matching contribution requirements.
- ⦿ EGTRRA Provisions are now Permanent –the Act repeals the sunset provisions of EGTRRA as they relate to pension and IRA provisions. Thus, 38 pension and IRA changes made by EGTRRA are now made permanent. Some of these are: increased contribution limits, catch-up provisions, Roth deferrals, elective deferrals not counting towards the deduction limit.
- ⦿ Income Limitation for Deductible IRA – for tax years beginning after 2006, the Act indexes the income limits for deductible contributions for active participants in an employer-sponsored plan.



-
- ⦿ Low-Income Saver's Credit made Permanent – the Act also indexes the income limits applicable to the saver's credit, beginning in 2007, with indexed amounts rounded to the nearest multiple of \$500. This gives an eligible lower-income taxpayer the ability to claim a nonrefundable tax credit, with the amount dependant on filing status and AGI.
 - ⦿ Military Reservists exempt from 10% Premature Distribution Penalty – the Act provides that the 10% early withdrawal penalty tax does not apply to a qualified reservist distribution. This applies to a distribution from an IRA or attributable to elective deferrals under a 401(k) plan, 403(b) annuity, or certain similar arrangements, made to individuals who are called to active duty after 9/11/01 and before 12/31/07, for a period of more than 179 days or for an indefinite period, made during the period beginning on the date of the order or call to duty and ending at the close of the active duty period.
 - ⦿ Non-Spousal Beneficiary Rollovers – for distributions after 2006, the Act permits rollovers of distributions from an eligible retirement plan of a deceased employee to a nonspouse beneficiary's inherited IRA.
 - ⦿ Rollovers to Roth IRA's – for distributions after 2007, the Act allows distributions from qualified retirement plans to be rolled over directly into a Roth IRA, subject to the usual rules that apply to rollovers from a traditional IRA into a Roth IRA. This rollover would be includible in the participant's gross income but would not be subject to the 10% premature distribution penalty. Also, an individual with an AGI of \$100,000 or more would not be able to roll their distribution directly into a Roth IRA, until the year 2010 when the Act eliminates the \$100,000 AGI rule.
 - ⦿ Taxpayer Refunds Direct Deposit to IRA – for tax years beginning after 2006, the IRS must develop and make available forms allowing all or a portion of a taxpayer's refund to be deposited into his IRA, or his spouse's IRA, in the case of a joint return.